



# Private Production of Rockets Worries U.S.

## Fear Focuses on OTRAG Missiles' Ability to Carry Nuclear Weapons

By Judith Miller  
New York Times Service

WASHINGTON — The Reagan administration has become concerned that rockets being developed commercially for ostensibly peaceful purposes could also be used to deliver nuclear or chemical warheads.

The immediate focus of concern, according to administration officials, is a West German company, Orbital Transport-und-Raketentechnikgesellschaft, or OTRAG, which for two years has been testing a low-cost rocket in Libya that it says is intended to put weather or telecommunications satellites into orbit. American intelligence and space agency officials, however, assert that the rocket could be intended to have a military application.

To address such issues, the informants said, an interagency task force has been formed to study the spread of missiles and related technology. It is composed of officials from intelligence agencies, the state and defense departments and the National Aeronautics and Space Administration.

Besides OTRAG, several other foreign and American companies are involved in the commercial development of rockets.

Company representatives say their objective is to develop rockets that could lift into orbit satellites with telecommunications or other peaceful equipment more cheaply than NASA and thus contribute to the commercial use of space technology. But American

officials are concerned about the possible use to which any privately made rockets might be put. "What we have here," Joseph S. Nye Jr., a former state department specialist, said of commercial rocket development, "is a new security problem, a form of advanced nuclear proliferation, that the U.S. government has only begun to face."

Some officials in Washington maintain that just as previous administrations have pressed governments to act against the transfer of sensitive nuclear technology, the Reagan administration should begin calling for new international safeguards to limit the spread of components for possible delivery systems.

Other officials say there may be little that can be done to limit the spread of either missiles or nuclear weapons other than trying to exert pressure through diplomatic channels.

OTRAG, for example, shifted its test operations to Libya from Zaire in 1979 after American, French and West German diplomatic pressure led to a cancellation of its contract there.

Intelligence officials in Washington said they had received reports providing what they described as new evidence that the company might be using its test operations to mask efforts to sell military technology to Libya, Pakistan, Iraq and other countries.

Such statements were denied by OTRAG's chairman of the board, Frank Wukasch, who said in a

telephone interview from company headquarters in Munich that his concern was "not making military rockets." But he added that "we talk to everyone in the world about rocket technology with peaceful applications."

Intelligence and arms control officials in Washington said one disquieting feature of the OTRAG operation in Libya was that much of it came under Libyan military officers connected with Libya's atomic energy program.

According to some foreign and American intelligence analysts, the West German company has been recruiting hundreds of technicians recently to expand its launching site at Jarmah, in the Libyan Sahara. The company is also said to be building additional installations at Sabha in connection with what officials described as Libya's efforts to develop a domestic ability to build rocket parts and related technology.

The analysts also asserted that OTRAG had intensified efforts to buy or build a rocket guidance system, the export of which is under strict controls in the United States and West Germany.

Both American space and intelligence analysts said their information was that the West German company had not had much success so far with its rocket. They said the company announced a partially successful launching on March 1 but that another test conducted on May 17 was a failure.

OTRAG is reported to be under severe pressure from the Libyan government to make more pro-

gress, and Col. Moamer Qadhafi, the Libyan leader, is said to have warned that otherwise he might have to reconsider funding for the program.

As a result, officials in Washington said, the company has intensified its efforts to find additional foreign customers for its rocket and has begun discussing relocating its operations, possibly in the Philippines. This assertion, however, was dismissed by the company chairman as "complete nonsense."

American officials also reported that the United States, Egypt, Morocco and other governments had privately urged West Germany to restrict the company's operations.

But a spokesman for the West German Embassy in Washington said there was little his government could do to restrict OTRAG because it is a private company. Its activities in Libya are said to be supported in large part by a subsidiary on the Mediterranean island of Sardinia.

OTRAG was established in the mid-1970s by Lutz T. Kayser, an aerospace engineer from Stuttgart reportedly with \$3 million in capital. Described in West Germany as a development company, OTRAG is said to be backed by 1,400 private investors and an investment fund of about \$69 million.

Other private companies in the field of commercial rocket development include GCH Inc. of Sunnyvale, Calif., a company financed by a group of 20 investors, most of them Texans.



West German Chancellor Helmut Schmidt, left, embraced Italian President Sandro Pertini as he arrived Saturday at the Quirinale Palace for talks on military and economic matters.

## Arms Talks by Superpowers Urged by Schmidt, Spadolini

ROME — West German Chancellor Helmut Schmidt and Italian Premier Giovanni Spadolini have called on the superpowers to begin arms control negotiations and said Europe has a right to be consulted by the United States on defense and economic issues.

"Italy and Germany believe negotiations are very important," Mr. Schmidt said at a joint press conference Saturday during a two-day visit to Italy. "But just as important are continued consultations among our countries. We intend to take the initiative and speak out on the progress of the negotiations."

"Without [military] parity [between the superpowers] there cannot be negotiations, but without negotiations there cannot be parity," Mr. Spadolini said.

The two leaders said they agree on all major issues, including economic policies, relations with the Soviet Union and relations between the United States and the other countries in the North Atlantic Treaty Organization.

Mr. Schmidt said unemployment and recession are worldwide problems, caused partly by high oil prices and partly by U.S. monetary policy. He said President Reagan's policy of high interest rates has hurt Europe and should be reversed.

Mr. Spadolini said it was important for the United States to consult frequently with NATO allies in view of negotiations on the placement of Cruise missiles. He noted that Mr. Reagan decided to construct the neutron warhead without consulting the allies.

Mr. Schmidt said, "If the American government had consulted with Bonn or Rome before making the decision, both governments would have recommended to Reagan that he not make that decision at that time."

Mr. Schmidt also visited Pope John Paul II, with whom he discussed concerns about nuclear proliferation, East-West tensions and the situation in the pope's native Poland, Vatican sources said.

## Haig Claims Poison Is Used In Southeast Asian Conflict

(Continued from Page 1) why are the voices of conscience among us who cry out against this aggression so muted? he asked.

Where are the protests, Mr. Haig asked, about the Soviet buildup of tanks and missiles that "forced" NATO to respond and to Soviet use of "proxies to promote violent change."

At the very time the United States is being accused by some European critics of dragging its feet on arms control, Mr. Haig said, "others appear to be violating one of the oldest arms control agreements — that prohibiting the use of toxins."

Hopes for eventual mutual arms reductions, he said, "will be doomed if our people succumb to a double standard that falsely blames the troubled state of the world not on aggression but on the effort to defend against it."

Mr. Haig noted that for some time "the international community has been alarmed by continuing reports that the Soviet Union and its allies have been using lethal chemical weapons in Laos, Kampuchea and Afghanistan." The United Nations set up a group to investigate this, he said, but "reports of this unlawful and inhumane activity have continued."

"Moreover," he claimed, "we now have physical evidence from Southeast Asia which has been analyzed and found to contain abnormally high levels of three potent mycotoxins — poisonous substances not indigenous to the region. The use in war of such toxins is prohibited by the 1925 Geneva protocol and ... their very manufacture for such purposes is strictly forbidden by the 1975 biological weapons convention."

Mr. Haig said the United States is "taking care to ensure that this evidence is called to the attention of states and that it is provided to both the secretary-general of the United Nations" and to the experts investigating such problems under UN auspices.

[In Moscow, Tass immediately described as "monstrous ... slanderous" and "unfounded" the chemical weapons reference, The Associated Press reported. Tass said Mr. Haig's statement was intended "to divert the attention of the world public from the real threat, which is brought by the U.S. militarist policy as well as the preparation, started by Washington, for a chemical war."]

## DC-10 Grounding Illegal, Court Says

WASHINGTON — The Federal Aviation Administration had no authority to ground foreign-registered DC-10 aircraft for five weeks after a 1979 crash in Chicago that killed 273 persons, a federal appeals court has declared.

The U.S. Court of Appeals for the District of Columbia has ruled, 3-0, that the FAA acted illegally in temporarily prohibiting flights by foreign-operated DC-10s within U.S. airspace because of possible mechanical problems with the planes.

The court found that the international agreement covering such emergencies "permits a country to safeguard its airspace when entry by all aircraft would be dangerous." But the agreement "does not allow one country to land and takeoff because of doubts about the airworthiness of particular foreign aircraft," the court said.

# WORLD NEWS BRIEFS

## Peking Warns U.S. Against Supporting Taiwan

PEKING — China warned Sunday that Chinese-American relations will be "gravely impaired" if the Reagan administration continues its support for Taiwan. The weekly Peking Review said it would be a mistake to assume that China will tolerate U.S. support for Taiwan in order to continue receiving economic help.

China maintains that the Taiwan Relations Act passed by the U.S. Congress, which provides for continued American military sales to Taiwan and other support, violates the agreement that established relations between Peking and Washington on Jan. 1, 1979. In it, the United States declared that there is only one China and that "Taiwan is part of China."

"If the United States stubbornly adheres to the Taiwan Relations Act in its actions, then normal relations between China and the United States ... will certainly be gravely impaired," the article said. It was the latest in a series of increasingly strident Chinese statements on the Taiwan issue.

## Turkish Leader Charges Foreign Interference

ANKARA — Turkey's head of state, Gen. Kenan Evren, has charged that foreign governments are interfering in the military regime's attempts to mend the economy and restore domestic peace.

In a 34-page message Saturday on the anniversary of last year's military coup, Gen. Evren was optimistic that the aims of his government would be achieved. He has not said when he will hand over power to a civilian government, but a constituent assembly is to meet next month to draft a new constitution.

However, referring to the military regime, he said, "Our task has not been completed. Unless the intentions of some countries regarding Turkey change, the terrorism and anarchy in the country will not be completely overcome."

## I Killed, 24 Hurt in Jerusalem Grenade Attack

JERUSALEM — An Italian tourist was killed and 24 others in his group wounded in a grenade attack Saturday night in Jerusalem's Old City, and the Israeli government promised Sunday to step up security for Holy Land pilgrims.

"We shall take every measure, every possible avenue, so that such attacks won't take place again, or to make it very difficult for the murderers to repeat those attacks," said Tourism Minister Avraham Shafir. He did not give details of what those steps would entail.

Two Arab residents of Jerusalem were also wounded in the attack. No one has claimed responsibility for it, but government officials said that they assumed it was the work of a group under the umbrella of the Palestine Liberation Organization. Police believe the grenade was thrown from a rooftop.

## Le Monde Correspondent Expelled From Egypt

CAIRO — In the second expulsion of a Western journalist in four days, Egypt on Sunday ordered a Le Monde correspondent to leave the country for what the government said was biased reporting.

Jean-Pierre Perroul Hugot, correspondent for the Paris newspaper, was summoned to the office of State Information Service Director El-Shafai Abdel-Hamid and was ordered to leave Egypt within 72 hours, the Middle East news agency said. The agency said Mr. Hugot had been dealing with Egypt's military, political, social and economic conditions in a manner that is not objective, deliberately omitting facts and putting "exaggerating emphasis on negatives."

Mr. Hugot, 41, said he was astonished by the expulsion order. On Thursday, ABC-News correspondent Chris J. Harper was expelled from Egypt after President Anwar Sadat assailed foreign journalists for their coverage of his crackdown on dissidents.

## Pope Sets Release of Encyclical on Workers

CASTEL GANDOLFO, Italy — Pope John Paul II announced Sunday that the third encyclical of his papacy will be published Tuesday and will discuss workers and their position in society. He told 12,000 tourists and pilgrims at his retreat here, south of Rome, that the encyclical was delayed by the attempt on his life May 13.

John Paul, who worked in a quarry and a chemical factory as a youth in Poland, has spoken out for workers a number of times during his papacy, and gave his endorsement to Solidarity, Poland's independent labor union.

In his first encyclical, issued in March, 1979, the pope criticized the materialism of both capitalist and Communist societies and warned that the arms race threatened mankind with "unimaginable self-destruction." In the second, published last December, the pope said the Roman Catholic Church must speak out for mercy and he condemned the use of torture against political opponents.

## Solidarity's New Boldness Is More Than Just Bravado

(Continued from Page 1) as a government campaign to shoot down Solidarity.

Since the party's own congress in July, the government has been unyielding. "There's a different attitude entirely," said Bronislaw Geremek, a Solidarity strategist. "After the party congress, there was a mood to regroup the party around an offensive directed at Solidarity, to reunify the troops around a negative program, to try to retrieve the cohesion of the party. For that reason, we have a new climate of confrontation."

But explanations of bravado or letting off steam do not entirely suffice. The union's position on key issues — such as free elections — went far beyond any it had espoused. In March, the election issue was viewed as too controversial to discuss publicly. If rival groups were empowered to place and endorse candidates, the Communist Party would probably be swept from power in the parliament and Solidarity would gain an important role in government.

The demand for free elections to the parliament goes in tandem with the call for a national referendum on self-management. If the parliament refuses to hold the vote, the union can argue that it does not truly represent workers and should be replaced. Otherwise, elections are not scheduled for two years. Asked what it would do if the parliament simply ignored the referendum demand, Bogdan Lis, Solidarity's No. 2 leader, replied calmly, "Maybe we'll dissolve it."

Close observers were not surprised by the militancy. As the economic situation deteriorates, and as little headway is made on cooperative arrangements with the government to overcome the crisis, the union remains outside the establishment and is driven into new areas to maintain its momentum as an opposition force.

## 20 Die Near Kampala As Bus Hits Land Mine

KAMPALA, Uganda — A land mine exploded under a bus near here, killing 20 civilians and injuring an undisclosed number, Radio Uganda reported. The blast Saturday followed a similar explosion Thursday that killed nine bus passengers north of here.

Ugandan officials blamed "bandits" for the latest blast, which occurred about 5 miles (8 kilometers) outside of Kampala. The level of violence between anti-government guerrillas and undisputed government troops has risen in recent weeks, and civilians have frequently been the victims.

In an editorial Saturday, Zeri Populisti, the Albanian Communist Party newspaper, claimed that movement for making Kosovo a republic had become a concern of mass appeal. "It is not a taboo any more, it cannot be ignored any longer," said the paper, charging Yugoslav authorities with "inciting terror" to quell the movement. The newspaper said the 2 million Albanians living in Yugoslavia no longer wanted to be treated as "an inferior race," and added that the issue had become "one of the most burning problems in Yugoslavia's internal life."

# IBERIA'S TIPS ON FLYING

TIP 3

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# Reagan Expects to Win Battle in Congress on Jets, Haig Tells Fahd

By Michael Greder  
Washington Post Service

**BELGRADE** — U.S. Secretary of State Alexander M. Haig Jr. has told Saudi Crown Prince Fahd that the Reagan administration expects to win the battle in Congress over the sale of airborne warning and control system (AWACS) planes to Saudi Arabia.

The prince, in turn, reportedly offered "no expressions of disapproval" when briefed by Mr. Haig on the overall U.S. approach to military security in the Middle East and the Gulf, an approach that relies on an expanding U.S. military relationship with Israel.

Mr. Haig and Prince Fahd met in Spain for three hours Saturday at the prince's villa near Marbella. An account of their talk was provided by Mr. Haig's spokesman, Dean E. Fischer, after Mr. Haig left for Belgrade, the second stop on the secretary's four-day European tour.

The meeting took place less than 24 hours after Israeli Prime Minister Menachem Begin ended an official visit to Washington and the United States and Israel announced agreement on a variety of new measures of formal military cooperation.

Asked if these events had created any problems in the talk with Prince Fahd, Mr. Fischer said that they had not and that the talks "went very well." He said that the conversation relating specifically to Israel came within the broader context of the overall U.S. approach to strategic issues in the Middle East.

**Reserving Judgment**

But he acknowledged that Mr. Haig had done most of the talking during the meeting and luncheon, and so it appeared possible that the crown prince, who is the key figure in Saudi foreign policy, was merely reserving his judgment or being polite.

Mr. Fischer said Mr. Haig summarized the administration's progress in its policy of enhancing regional stability and that Prince Fahd "expressed support for U.S. efforts in this regard and pledged the continuation of complementary Saudi Arabian efforts," presumably meaning military improvements.

Senior officials traveling with Mr. Haig have also cautioned against exaggerating or "overinflating" the new U.S.-Israeli agreements, since Washington has always had a close military relationship with Israel.

Aside from briefing Prince Fahd on Mr. Begin's visit to Washington, Mr. Haig discussed the earlier visit to the United States of Egyptian President Anwar Sadat. Mr. Haig also elaborated on the administration's approach to the resumption of the Palestinian au-

tonomy talks between Egypt and Israel and its strategy for sustaining and expanding the cease-fire in Lebanon, Mr. Fischer said.

He said that Mr. Haig thanked the Saudis for their contribution to the Lebanese cease-fire, and that Prince Fahd reaffirmed his country's commitment to continuing special efforts. U.S. officials said that Middle East envoy Philip G. Habib will soon return to the region for further discussions on Lebanon.

**Warning on AWACS**

**WASHINGTON (NYT)** — A senior official of the Defense Department said Friday that strategic cooperation with Israel would be jeopardized if the proposed sale of AWACS planes to Saudi Arabia was blocked.

The official said the Reagan administration would have to reconsider its overall security policy in the Middle East if Congress failed to approve the \$8.5-billion sale of AWACS jets and other weapons to Saudi Arabia.

[Senate opponents of the sale have exactly the 51 votes needed to block it, Democratic Sen. Alan Cranston of California said Sunday.] According to The Associated Press, "But President Reagan is fighting for his first major foreign policy victory and 'may be able to tip the balance,' said Sen. Cranston's leading opponent of the package, Congress has until Oct. 30 to vote on the sale, which it could veto only by negative votes in both houses."

On Thursday, Mr. Haig and Mr. Begin said the issues of new strategic cooperation and the AWACS sale were not related, but there were indications that the administration hoped the strategic agreement might soften Israeli opposition to the sale.

After a meeting between U.S. Secretary of Defense Caspar W. Weinberger and Israeli Defense Minister Ariel Sharon, the Pentagon official said the Reagan administration had a larger plan for Middle East security that included the operation of the AWACS planes and other cooperation between the U.S. and Saudi air forces.

The official said in a Defense Department briefing that, if one piece of that plan was knocked out, the administration would have to reexamine its overall security policy in the region.

The official said Mr. Weinberger and Mr. Sharon had established two committees among subordinates to work out details on strategic cooperation. He said the two met planned to meet again in November or December to complete the agreement, which would then be put into writing.



**PROTEST GARB** — A demonstrator donned a radiation-protection suit at the campground of the Abalone Alliance nuclear protest group near San Luis Obispo, Calif., in preparation for a blockade of the Diablo Canyon nuclear plant. About 1,400 people showed up, but the alliance was waiting for an undisclosed "strategic number" to arrive before blockading the plant, which recently received preliminary approval needed to get a low-power test license.

# U.S. Looks for Overriding Political Benefit In New 'Strategic Relationship' With Israel

By Bernard Gwertzman  
New York Times Service

**WASHINGTON** — The decision to join with Israel in a "strategic collaboration" represents a gamble by the Reagan administration that the political windfall from the move will more than offset the expected damage to American interests in Arab countries.

On the surface, the new "strategic relationship," as Secretary of State Alexander M. Haig Jr. calls it, can be seen as confirmation that a consensus is taking shape in the

decision to join in a publicly declared "strategic relationship" seems to be based on the same kind of analysis — namely, that Israel is unlikely to show flexibility and willingness to consider American concerns in the region as a whole unless its sense of insecurity is taken care of first, and that it is counterproductive for any administration to try to force Israel to comply with U.S. policies.

The Israelis in recent years have smarted at the growing attraction to Pentagon policy-makers of facilities in Egypt and Saudi Arabia. The Reagan administration is not insensitive to the same considerations that led the Carter administration to shy away from the Israelis. But Mr. Haig seems persuaded that if the United States is to make progress in securing an agreement between Israel and Egypt by next April on Palestinian autonomy, he must gain Mr. Begin's confidence and support.

Although both Mr. Begin and

Mr. Haig insist that no deal was struck, there was a widespread view in Washington that the administration would not have gone along with the arrangement, however limited, unless it believed this would ease the way for congressional passage of the sale of AWACS radar planes to Saudi Arabia.

In particular, Mr. Haig is counting on seeing this new approach produce the kind of flexibility that Mr. Begin showed in the negotiations leading up to the Egyptian-Israeli peace treaty in 1979. The administration would very much like to produce an accord on Palestinian self-rule by next April, when Israel makes its last withdrawal from the Sinai. If no accord is reached by then, it is possible that Israeli-Egyptian relations may collapse in mutual recriminations, and the whole Camp David structure that has been endorsed by two administrations may fall with them.

## NEWS ANALYSIS

region, with the United States in the posture of friend or ally of such countries as Egypt, Saudi Arabia, Pakistan, Turkey, Jordan and Israel, all of which are concerned about a Soviet or Soviet-sponsored threat to the area.

Yet even though these states are in one way or the other worried about Soviet activities, they are not so concerned that they are willing to cooperate with each other under a U.S. security umbrella.

The Saudi Arabians have repeatedly urged the Reagan administration to act more firmly with the Israelis. They have contended, as have some domestic critics of the administration's policy, that the United States should press the Israelis to make concessions to the Palestinians and should stop providing Israel with virtually unlimited supplies of military equipment.

But if the "strategic relationship" is as limited in scope as Mr. Haig asserted, and given the risk to American standing in the oil-producing countries of the Gulf and elsewhere in the Islamic world, why did the Reagan administration undertake this "strategic collaboration" at this time?

The question is additionally relevant because there seemed to be no pressing military need for it. The United States for years has had close military and intelligence connections with Israel, even though the two governments have never signed a formal mutual-security treaty. It has also always been assumed in Washington that in the event of a major crisis in the Middle East, Israel would make its facilities available to U.S. forces. Moreover, the administration has not yet formulated a clear-cut plan for its Rapid Deployment Force in the Middle East.

There is considerable circumstantial reason to suggest that the decision to go ahead with the "strategic relationship" was made largely for the same political reasons that impelled Henry A. Kissinger as secretary of state to sign a secret political, economic and military agreement with Israel in September, 1975, in return for the Israelis giving up part of the Sinai to Egypt in the second disengagement agreement. Mr. Kissinger, who was rebuffed in March, 1975, by the Israelis, was convinced that the Israeli withdrawal from the Golan and Midzi mountain passes was needed to keep American influence in Egypt, Jordan and Syria alive.

As a result, in the summer of 1975, he acceded to the secret agreement with Israel that was later divulged to the press, in which the United States assured Israel that because of the long-standing U.S. commitment to the survival and security of Israel, the United States government will view with particular gravity threats to Israel's security or sovereignty by a world power.

"In support of this objective, the United States government will, in the event of such threat, consult promptly with the government of Israel with respect to what support, diplomatic or otherwise, or assistance, it can lend to Israel in accordance with its constitutional practice," it said.

That statement, included in a lengthy list of other assurances such as U.S. conditions for recognition of the Palestine Liberation Organization, sympathetic consideration of Israel's military arms requests, and an increase in aid, was agreed to by Mr. Kissinger to overcome Israel's stated concerns that its security would be endangered by the pullback.

The situation in the Middle East, of course, is considerably different now than in 1975. But the

# Pentagon Officials Say Spending Cuts Pose Little Threat to Major Military Programs

By George C. Wilson  
Washington Post Service

**WASHINGTON** — President Reagan's military spending cuts will slow down, not derail, his high-speed rearmament effort, jubilant Pentagon officials said.

They said that they saw no need to cancel any big weapons programs, to bring troops home from Europe or to deactivate any division as was forecast when the generals and admirals feared that David A. Stockman, who directs the Office of Management and Budget, would prevail over Defense Secretary Caspar W. Weinberger.

Most of the \$13 billion Mr. Reagan wants to cut from the Pentagon budget can be absorbed, officials said, by slowing the planned increase in Army strength and the stockpiling of ammunition abroad; retiring some Navy ships ahead of schedule and postponing construction of about 10 of them planned for the next five years; and reducing the volume of aircraft purchases for the next few years.

"It's a big victory for Weinberger," said a top military official. He said Mr. Stockman pushed hard for cuts totaling about \$30 billion for fiscal 1982, 1983 and 1984 and for a slashing of total obligational authority by \$50 billion. The total obligational authority account includes money that is committed to military contractors for future payment as well as those funds to be spent within a given year.

Knowledgeable military officials said the cuts the individual services will be required to make will be absorbed in large measure through these economies:

- **Troops** — The planned increase in the size of the Army, Navy, Air Force and Marine Corps by 100,000 troops over the next five years will be stretched out over a longer period.
- **Ammunition** — Plans to stockpile enough ammunition in Europe to fight for 60 days and enough in Southwest Asia for 90 days will be slowed down.
- **Navy ships** — About five ships, rather than the 17 planned under the deeper cuts proposed by Mr. Stockman, will be retired early to save the millions of dollars it takes to keep them in service. About 10 warships from the 140 the Navy had hoped to build over the next five years will be deleted.

Stealth aircraft, which is designed to evade enemy radar defenses. Mr. Weinberger, in successfully arguing against the deeper cuts sought by Mr. Stockman, stressed these points in White House sessions, officials said Saturday night:

- Slowing the rearmament effort significantly would undercut the effort to inspire NATO allies to increase military spending.
- Going back to the traditional feast-and-famine cycle of purchasing weapons from military contractors would end up costing more in the long run.

## Increases Unscathed

Pentagon officials said the Reagan decision leaves unscathed the huge increases the administration made in President Jimmy Carter's fiscal 1980 and 1981 budgets, while preserving most of the record-high fiscal 1982 budget.

This budget, as submitted to Congress, calls for obligating \$222 billion to the Defense Department.

The military services will get a detailed explanation of the president's decision Monday when the Defense Resources Board meets under the chairmanship of Mr. Weinberger or his deputy, Frank C. Carlucci.

## Missile Reported To Explode Near Italian Airliner

**ROME** — A missile launched during a naval exercise in the Tyrrhenian Sea exploded near an Italian mail jet flying from Palermo, Sicily, to Rome on Aug. 8, Italian newspapers report.

The reports Saturday quoted Capt. Eraldo Tortorolo of the DC-9 of the domestic ATI airlines as saying the missile blew up about 10 kilometers (30,000 feet) from the plane, a postal flight carrying a five-man crew and no passengers.

The incident occurred 7 kilometers (21,000 feet) north of Palermo's Punta Raisi Airport, the same general area where a DC-9 of the now-defunct Italian airlines Itavia crashed after an airborne explosion on June 27, 1980, killing all 81 persons aboard.

An investigation has failed to determine the cause of the Itavia plane's crash, but there has been speculation that the plane had been hit by a meteorite or a missile.

Capt. Tortorolo's report of the incident was confirmed by an airline probe. However, a spokesman for the Italian Air Force communications and flight center said the plane could not have been in any danger because the firing exercise had a ceiling below the plane's altitude.

# Eugenio Montale, 84, Dies; Italian Poet Won Nobel

New York Times Service

**MILAN** — Eugenio Montale, 84, the Italian poet who won the 1975 Nobel Prize for literature, died last night, the ANSA news agency reported.

When he was named as the winner of the prize, Mr. Montale was acclaimed by the Swedish Academy as "one of the most important poets of the contemporary West" even though he published

only five books in 50 years — an output the academy called modest and not easy to understand.

Mr. Montale himself said that poetry should express more than words themselves convey and that no poet should aim merely to be understood.

Of his own work, he said, "My poetry cannot be understood as a message but as an invitation to hope."

Mr. Montale, the longtime literary and music critic for the Milan newspaper Corriere della Sera, was also praised by the academy for his interpretation of human values through "an outlook on life with no illusions."

When notified of his award, the poet told an interviewer that the prize made his life "which was always unhappy, less unhappy."

And despite the acclaim he won as a poet, he preferred to say he was a journalist, not a poet.

Mr. Montale was born in Genoa on Oct. 12, 1896. At 15 he convinced his merchant family that he wanted to be a singer, and he began studying with the noted baritone Ernesto Sivo. But his studies ended when Mr. Sivo died and he was called up to serve as an infantry officer during World War I.

## OBITUARY

He told a friend that the library job was perfect for him because it "means my daily loaf, completely assured for many years — a problem that has always seemed insoluble to me and that has driven me crazy."

But he lost his perfect job 10 years later for refusing to join the Fascist Party.

The next year, in 1939, he published his second volume of poetry, "The Occasions." But his refusal to become involved in politics meant that he had to earn his living during the Fascist period by doing translations.

In 1948, Mr. Montale moved to Milan to take a job with Corriere della Sera. That year, he also published his third major work, "The Storm and Other Things."

The other two major books of poetry by Mr. Montale are "Satura," published in 1962 and "Diario del '71 e del '72" in 1973. Mr. Montale also published prose and collections of his newspaper articles and translations into Italian of writers as diverse as Shakespeare and Dorothy Parker. Collections of his poetry, assembled from his books, have been translated into English.

members committed the school to providing land for the library and museum. Mr. Nixon has told Mr. Sanford that a museum must accompany the library.

Without mentioning the proposed Nixon library, the Duke Academic Council unanimously approved a resolution that "categorically rejects creation of any museum or memorial designed to foster glorification of the former president" on or near the campus.

"It is simply impossible to have a presidential museum that won't give the impression that it is memorializing the former president," Dr. Peter H. Wood, associate professor of history at Duke, said after the vote.

# Duke Faculty Votes to Reject Nixon 'Memorial' on Campus

**DURHAM, N.C.** — Duke University faculty have moved to block any campus "memorial" to former President Richard M. Nixon, but said they were less adamant about a library housing Mr. Nixon's papers.

Duke's president, Terry Sanford, said the faculty's opinion, issued Friday, should be "virtually controlling," but refused to say whether he would stand behind their vote when the school's board of trustees makes the final decision on the library.

The board of trustees voted 9-2 last week to override faculty opposition and continue negotiations with Mr. Nixon. If those negotiations are successful, the board

that statement, included in a lengthy list of other assurances such as U.S. conditions for recognition of the Palestine Liberation Organization, sympathetic consideration of Israel's military arms requests, and an increase in aid, was agreed to by Mr. Kissinger to overcome Israel's stated concerns that its security would be endangered by the pullback.

The situation in the Middle East, of course, is considerably different now than in 1975. But the



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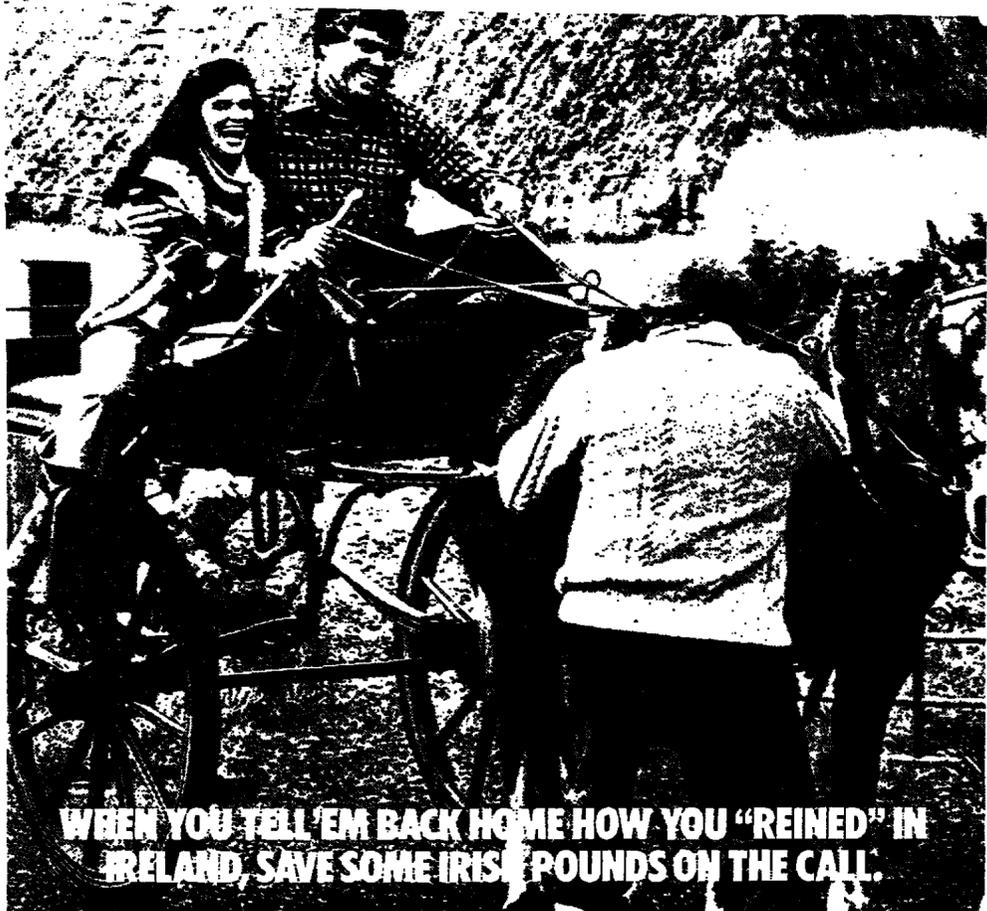
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# Cody Allegations Polarize Chicago Catholics

## "Those Who Accept a Cardinal on Faith Must Feel Awfully Bad"

By Winston Williams  
New York Times Service

CHICAGO — At noon the pealing bells atop the yellow stone Gothic cathedral welcomed 75 persons to the spiritual headquarters of Cardinal John P. Cody. Genuflecting and making the sign of the cross, they went about the daily Mass as if nothing had happened. The only hint of crisis was in the homily.

Reading from the Bible, "Hypocrite, remove the plank in your own eye," the Rev. John McDonald intoned: "We tend to be a very judgmental people, and we have to avoid that. Unless we are perfect we have no right to criticize others."

But on the Southwest Side, where a group of working-class Catholics has been fighting the cardinal for three years over his decision to dissolve the parish of the 79-year-old Sacred Heart Church, the mood was not quite so charitable.

There are two and a half million Catholics out there who must feel awfully bad, especially those who accept a cardinal on blind faith," said Arlene Weidner, an organizer of the Save-Our-Shrine Committee.

Throughout the city, allegations that the head of the country's largest Roman Catholic archdiocese had improperly diverted funds are polarizing the cardinal's supporters and critics. At bus stops, in offices, in restaurants, people are discussing the moral and fiscal affairs of an archdiocese with assets estimated at more than \$1 billion.

Banner headlines in both major daily newspapers and constant television reports have provided both sides with plenty of ammunition.

### No Charges Filed

On Saturday, The Sun-Times, which broke the story Friday with six pages of articles, said in four additional pages that Helen Dolan Wilson, 74, whom the cardinal has described as his stepcousin, was on the payroll of the archdiocese for six years at a salary ranging from \$7,200 to \$11,500 a year. The newspaper quoted other archdiocese staff members as saying that they could not remember her performing any duties.

The local U.S. attorney's office has confirmed that Cardinal Cody, 73, was under investigation for possibly diverting more than \$1 million of church funds to Mrs. Wilson and other friends. The archdiocese and Mrs. Wilson have denied the accusations. No charges have been filed. The authorities have declined to say where the allegations originated.

Mayor Jane M. Byrne, a friend of the cardinal, issued a statement on the controversy Friday night from Palm Springs, Calif., where she is vacationing.

"I believe the cardinal we all

know and love is innocent of any deliberate wrongdoing, and I think it's unfortunate and regrettable that a man in his declining years should be treated to headlines of allegations that are unproven," the statement said.

At the Chicago Child Care Society in Hyde Park, a social worker told her colleagues that she felt betrayed. "I went to Catholic schools all my life," she told the people in her office. "When I felt guilty about something I would rush to confession. Now I find out that the people who were preaching and teaching me were doing more than I ever thought of doing."

One of her co-workers, a former monk who had also been a deacon in the archdiocese, said that people and news reports were concentrating too much on the relationship between the cardinal and Mrs. Wilson. "The real issue is whether he can do anything he wants with the church's money," the man said.

At the Athens Restaurant on the residential Northwest Side, another Catholic stronghold, Thomas McCauley said between sips of coffee, "I don't like it one bit. If it's true, everything should come out."

### Constitutional Questions

NEW YORK (NYT) — Since the U.S. Constitution guarantees freedom of religion and separation



Cardinal John P. Cody

of church and state, the federal investigation of Cardinal Cody's use of church funds is raising questions in the minds of religious leaders.

No one disputes that the funds involved were under the complete control of the archbishop, not subject to audit by the diocese or the Vatican. The church does have the right to question the cardinal's use of the funds and might privately

decide his alleged gifts to Mrs. Wilson excessive or inappropriate.

But if they were personal funds, or money given out in good faith, said a professor of Catholic church law, even the Vatican would not be able to discipline the cardinal for his use of the money.

Church leaders generally questioned whether the state should have any interest in the matter.

"This could be government interference in religious affairs," said an official of the National Council of Churches.

When the federal grand jury subpoenaed certain church financial records, it also entered a touchy area of church-state relations. A spokesman for the Chicago archdiocese said that the church's attorney had made an "appropriate response" to the subpoena. He implied that the church had refused to supply the requested data.

Paragraph 501(c)(3) of the Internal Revenue Service code states that funds raised by tax-exempt organizations may not be used to benefit "any private shareholder or individual." But neither case law nor government regulations nor common law has precisely defined what that means, according to the Rev. Elliot Wright, a Methodist clergyman who is director of a study on taxation issues and religion for the National Conference of Christians and Jews.

# U.S. Interior Secretary Lists Policy Changes Favoring State Management of Water, Land

By Philip Shabecoff  
New York Times Service

JACKSON HOLE, Wyo. — Interior Secretary James G. Watt has announced a series of policy changes, including a reversal of a policy allowing the federal government to preempt state water rights.

He told a gathering of Western governors here Friday that because his decisions had responded to the needs of the states and their people, the steam had gone out of the "Sagebrush Rebellion," the drive by some Western states and economic interests to acquire control over federal lands and resources.

Among the policy statements Mr. Watt made to the Western Governors Conference were these:

• He supports proposals for a large exchange of federal land for state lands, even on some basis other than equivalent market value, to help the states consolidate their holdings and develop their resources. Some such exchanges have taken place for years on a parcel-by-parcel basis.

• He plans an accelerated program to bring back "multiple use" of federal lands that have been

withdrawn from economic activity for various reasons.

• He intends to announce soon that several wilderness areas will be opened to development and that several new ones are coming under special federal protection.

• He agrees with demands that states be given the right to concur in federal energy development decisions within their borders, but he believes the issue raises constitutional questions that might have to be addressed by Congress.

### New Approach

The new approach to water policy, Mr. Watt said, reasserts "the historic primacy of state water management." The federal government has no right to water supplies that are not already committed to use, he said.

Previously, the Interior Department operated under an assumption that the federal government could preempt unused water for its own uses, such as for national parks and wildlife refuges.

Explaining the new policy, he said: "That means federal land managers must follow state water laws and procedures, except where Congress has specifically established

a water right or where Congress has explicitly set aside a federal land area with a reserved water right. If they need more water for their programs they must take their place in line like any other citizen and let state authorities decide."

He said the new water policy meant, for example, that the federal government could not simply appropriate unused water to construct the MX missile. Instead, the government would have to apply to the states for water or adopt special legislation condemning the water for federal use.

Mr. Watt, beginning a tour of the West designed to mend political fences and build support of his policy changes, said the Reagan administration's "new federalism" and his own department's "good neighbor" approach to the states had changed attitudes in federal land and resource management in the West.

Mr. Watt frequently has proclaimed himself a "sagebrush rebel," and legislation to accomplish the goals of the rebellion by transferring title to federal lands to the states is pending in both houses of Congress.

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## Riot Erupts in New Zealand At Springboks' Final Match

*From Agency Dispatches*  
**AUCKLAND, New Zealand** — The South African Springboks rugby team left New Zealand for the United States on Sunday after eight weeks of protests against South Africa's racial policies culminated in what was called this country's worst rioting ever.

Police and demonstrators battled Saturday in Auckland outside the ground where the last match was being played. Authorities said 201 persons were arrested and 81 injured, including 42 police officers. Police Chief Robert Walton said it was the worst rioting ever in New Zealand.

In addition, a light plane swooped over the 49,000 spectators at the match, dropping leaflets, flour bombs and flares.

New Zealand's All Blacks won the match, 25-22, to take the international series by two games to one. But the Springboks finished the eight-week tour with an overall record of 11 victories, two defeats and one draw.

Police say they arrested about 1,000 people during the tour for resisting arrest, offensive behavior and assaulting police.

On Sunday, about 250 protesters, chanting slogans and waving banners, burst into the departure lounge at Auckland airport as the jetliner with the South Africans already aboard prepared to depart for Los Angeles.

The South African team is scheduled to play in Chicago next Saturday, in Albany, N.Y., on Sept. 22, and four days later in a city that for security reasons has not been disclosed.

### Fears for Olympics

Meanwhile, a spokesman for Mayor Tom Bradley of Los Angeles said Saturday that the Soviet Union will ask the International Olympic Committee to move the 1984 Summer Games out of the United States if the Springboks are permitted to go ahead with the three-game U.S. tour.

The Russians, whose 1980 Moscow Olympics were the target of a U.S.-led boycott in protest against the Soviet intervention in Afghanistan, will make a formal request to move the 1984 Games out of Los Angeles at a regularly scheduled meeting of the Olympic Congress beginning Sept. 22 in Baden-Baden, West Germany, the spokesman said.

South Africa has been banned from Olympic competition since the mid-1960s because of its racial apartheid system.

Last Wednesday, before the Soviet threat developed, Mayor Bradley wrote to Secretary of State Alexander M. Haig Jr., asking him to withdraw the visas for the South African team.

Mayor Bradley has not yet received a response to his letter. But last month, State Department officials said there was no basis for refusing to issue the visas. A White

House spokesman indicated Saturday that there had been no change in that position.

F. Don Miller, executive director of the U.S. Olympic Committee, said he had no knowledge of the Soviet plans. But he said the USOC was opposed to the Springboks' tour.

"We have heard indications from the International Olympic Committee that some Olympic nations from Africa would consider boycotting the 1984 Games if the Springbok tour goes on as scheduled," Mr. Miller said.

Rugby is not an Olympic sport, he said, and the USOC has no control over the Springboks' tour.

In a letter to President Reagan last Thursday, 65 American political, labor and civil rights leaders asked that the Springboks' U.S. entry visas be revoked.

## 7 Africa States Urge Pretoria To Withdraw

*The Associated Press*  
**LAGOS** — The leaders of Nigeria and the six Front-line African nations have demanded the complete and immediate withdrawal of South African troops from Angola and condemned what they called the Reagan administration's complicity in the South African incursions into Angola.

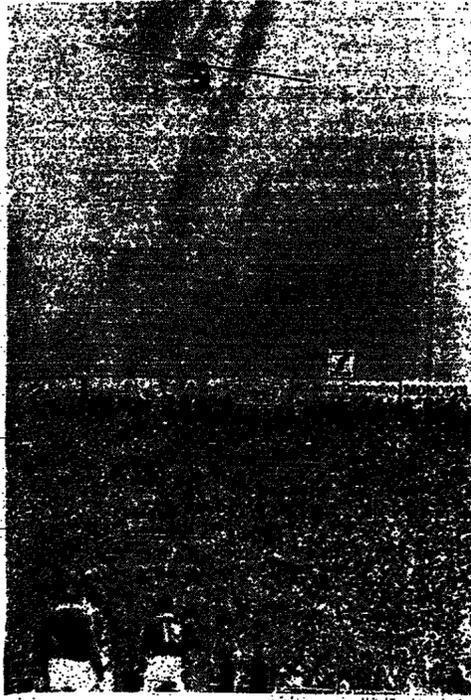
In a communiqué, Presidents Julius Nyerere of Tanzania, Kenneth Kaunda of Zambia, Quett Masire of Botswana, José Eduardo dos Santos of Angola, Samora Machel of Mozambique and Shehu Shagari of Nigeria, and Prime Minister Robert Mugabe of Zimbabwe, also called on other African states "to extend, as a matter of urgency, military aid to Angola to repulse further aggression."

"We unequivocally condemn the series of aggressive acts launched against Angola and other Front-line states," said the communiqué issued late Saturday after an emergency meeting in Lagos. The statement also denounced what it said was U.S. support for "the South African white minority racist regime to perpetuate its criminal and heinous acts against Angola."

The six states are called "Front-line" because of their proximity to white-ruled South Africa.

Meanwhile, Mozambique on Saturday charged neighboring South Africa with beefing up its military forces on the frontier and ferrying supplies to rebels fighting the Maputo government, the Mozambique news agency, AIM, reported.

AIM charged that there was a border buildup of South African tanks and heavy artillery and constant maneuvers.



An airplane flew over an Auckland rugby ground and dropped pamphlets, flour bombs and flares during the South African Springboks' last match on their eight-week New Zealand tour.

## UN Postpones Vote on South Africa; West Readies Proposals on Namibia

*The Associated Press*  
**UNITED NATIONS, N.Y.** — Last-minute revisions forced the General Assembly to postpone the vote on a resolution condemning South Africa's control of South-West Africa (Namibia). Five Western countries said they would offer new proposals to win the territory's independence.

The special assembly session called to discuss Namibia was recessed for the weekend so delegates could get instructions from their governments on how to vote now that the text has been revised.

The resolution, sponsored by a group of Third World nations, calls on all countries to impose comprehensive sanctions against the white-minority government of South Africa and urges the Security Council to order such sanctions. It is expected to pass overwhelmingly in the 154-nation assembly.

The five-nation Western "contact group" negotiating for Namibian independence — consisting of the United States, Britain, France, West Germany and Canada — plans to announce specific proposals for hastening independence at-

ter the foreign ministers of the five countries meet in New York on Sept. 24, West German Ambassador Gunther van Well told the assembly before it adjourned.

"Our proposals will concern the implementation of the UN plan and will provide the added assurance we believe essential in order to gain the confidence of all parties concerned and to obtain their agreement," Mr. van Well said.

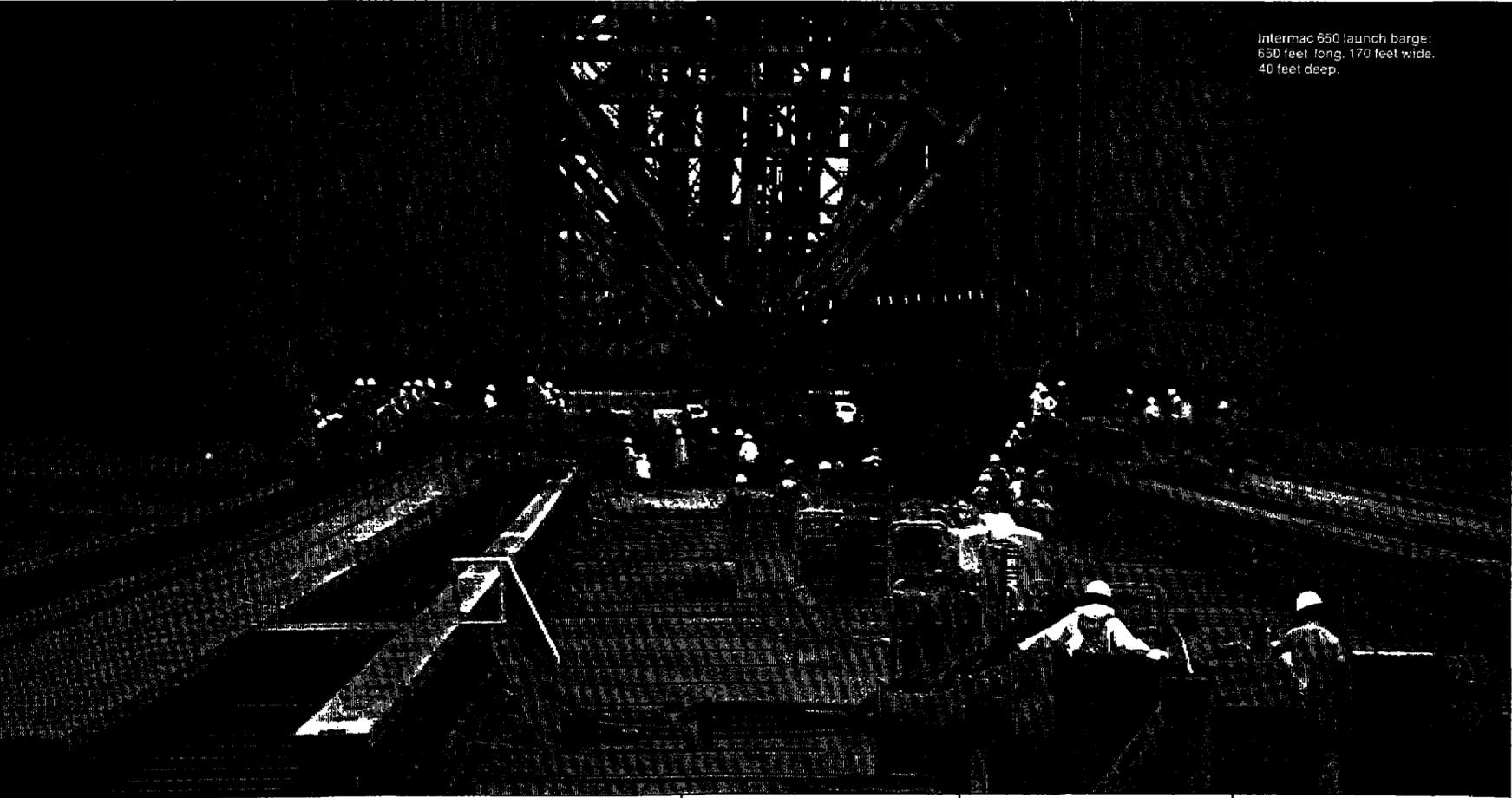
The revisions approved Friday by the resolution's sponsors delete language in which the General Assembly itself would have been "deciding" to impose sanctions, a power reserved in the UN charter to the 15-nation Security Council.

The United States, one of the five permanent council members with veto power, has blocked all attempts to impose sanctions on South Africa.

### 11 Die in India Bus Crash

*The Associated Press*  
**NEW DELHI** — Eleven persons were killed and 34 injured when a bus plunged into a creek Friday in the central state of Madhya Pradesh.

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AP Wirephoto

# Militant Israelis Settling in Sinai To Protest Its '82 Return to Egypt

By David K. Shieler  
New York Times Service

ATZMONA, Israeli-occupied Sinai — A movement of militant Jewish settlers determined to resist Israel's last and final piece of the Sinai going to Egypt is growing amid the rolling dunes of the desert.

Opposed to the withdrawal, which is required next April 28 under the peace treaty, Israeli families are moving from the occupied West Bank into northern Sinai, filtering into unoccupied apartments in the seaside town of Yamit and into house trailers in the settlement of Atzmona, which was established as a protest after the Camp David accords.

Organized by the nationalist settlement movement Gush Emunim, or "Bloc of the Faithful," the campaign is aimed first at mobilizing the Israeli public to demand that the government of Prime Minister Menachem Begin defer or cancel the "retreat," as the protesters call it, from the remaining strip of Sinai, which runs inside a line from El Arish on the Mediterranean to Sharm el Sheikh on the Red Sea.

If that political effort fails, the settlers are prepared for what could be a messy, perhaps even violent, confrontation with the Israeli government and army when the time comes to leave. Some say they will try to bring 20,000 to 30,000 sympathizers into the area and offer passive resistance. Others threaten to take up arms against their own army.

All this is said in calm tones, however, in the eerie quiet and

tranquility of people at peace with their convictions.

Here at the settlement of Atzmona, a tiny cluster of cramped, rundown house trailers on high dunes, an Orthodox religious commune of 80 persons, many of them children, lives a simple, frugal existence on ground they believe was given to the Jews by God.

The settlers came with neither government approval nor government objection, after Israel agreed at Camp David to relinquish Sinai. Their secretary, Yitzhak Idels, speaks as if he is part of a mirage. "We're sure it was a mistake that parts of our country are being given away," he said. "Our feeling is that we will succeed. More and more people see that it was a mistake. We are now making all efforts so that this time will not come. We believe it will not come. That we will be able to stop it before it comes."

The people of Atzmona are using their meager funds, just seven months before the scheduled withdrawal, to build a sparkling concrete and tile mikvah, or ritual bath.

## Sudanese Report A Clash in Chad

United Press International

CAIRO — Loyalist troops backed by Libyan forces have clashed in Chad with rebel troops under former Defense Minister Hissène Habré, a Sudanese news agency report received here said. It did not say exactly where the fighting took place.

The agency said Saturday that 25 Libyans and 104 loyalist troops were killed in the fighting Thursday. The rebel forces destroyed two Libyan vehicles, it said, adding that Libyan warplanes have recently intensified raids on Mr. Habré's forces in Chad.

Mr. Habré withdrew his troops from the Chadian capital of N'jamena last December after Libyan troops intervened on the side of President Goukouni Oueddei.

And they plan to put up a concrete synagogue to replace the trailers where they now worship.

The driving force behind the resistance is not religious, however. It is a corrosive distrust of President Anwar Sadat of Egypt, a conviction that once he gets Sinai back he will abandon the peace. Some, more sophisticated, see a post-Sadat period as most dangerous, a fear heightened by the recent arrests of Mr. Sadat's opponents.

"As peace-loving people," said Ella Weizman of the settlement Sdot, "we have the feeling that Israel is giving a sacrifice that is much, much, much too big. It's almost like committing suicide. On top of it being a defense disaster, it's a moral disaster. It's like killing your values. I believe that Jewish settlement is one of the ideals of the Zionist movement. When you have territory, you don't just send the army in, you settle it. That's what we did in the Galilee, that's what we did in the Golan Heights, that's what we did in Jerusalem, that's what we did in Judea and Samaria [the West Bank] after the '67 war."

She criticized Mr. Begin as "much too generous" in his negotiations with the Egyptians. Perhaps Israel could have kept this slice of Sinai, she said, adding, "I don't think he even tried to bargain."

Personal Tug to Land

Then there is the personal tug to the land that these settlers have turned from desert into productive farms. Mrs. Weizman and her husband, Vito, have been here 10 years, encouraged by government loans. They received a small house, five acres of sand dunes, half a tractor and a bit of water pipe. Now they have a thriving tree nursery and have built a house.

Some settlers are holding out for larger financial compensation from the government than already agreed upon, and the government has just offered to advance hand-some amounts to settlers who leave the area early. But Mrs. Weizman and others in the movement are not interested in money. They simply want to stay.

In Yamit, built as a model new town of one-story stucco, blocklike garden apartments, 15 families moved in two months ago to dig in. "When one has a fire in his hallway," Fenziah Mizrahi explained, "one rushes there to put the fire out." She and her husband Menachem, came from the Gush Emunim settlement of Kedumim on the West Bank.

"We feel we cannot let an irre-sponsible action like this 'retreat' happen," Mrs. Mizrahi said. "That will inevitably lead to war and an even greater loss of lives and wounded."

Will Jewish settlers fight Jewish soldiers? "I know there are people who say it," Mrs. Weizman said. "I don't know if I believe them. It's very hard to shoot an Israeli soldier if you yourself are an Israeli soldier a few weeks a year."



Armored vehicles belonging to the Palestine Liberation Organization leave the Beirut area on their way to southern Lebanon after PLO leader Yasser Arafat said he expected an Israeli attack.

## PLO Sends Armor Units to South Lebanon

By John Kifner  
New York Times Service

BEIRUT — Palestine Liberation Organization guerrillas have sent two heavy weapons units into southern Lebanon to reinforce their positions.

Beirut newspapers on Saturday carried photographs of a column of amphibious armored cars, belonging to the el-Fatih organization of Yasser Arafat, heading for an undisclosed location in the south. The armored units had been deployed to guard the coast along Beirut's southern suburbs.

About three weeks earlier, it was learned, a heavy artillery unit also was shifted into southern Lebanon.

In a speech before an international gathering of supporters in Beirut last week, Mr. Arafat, the PLO leader, asserted that he had information that Israel was about to launch a new drive against Palestinian positions in the south.

He charged that Israeli Prime Minister Menachem Begin was seeking a "green light" for the attack from Washington during his visit with President Reagan last week.

Israeli military officials charged last week that the Palestinians have been violating the six-week-old truce by building up their military forces in the area.

The publicity accompanying the departure of the armored unit was unusual, but Palestinian officials declined to say where the units were being deployed. The key strategic point in the region — and the apparent target of the Israeli battle plan during the fighting in July — is the area around the market town of Nabatiyyet, including the Beaufort Castle heights.

## Israeli General's Comment Sets Off Dispute With Egypt

By William F. Farrell  
New York Times Service

CAIRO — A diplomatic dispute has erupted between Egypt and Israel over remarks made by the Israeli chief of staff that the peace treaty between the two nations "will come to an end" if President Anwar Sadat's government collapses.

The comments were made several days ago by Lt. Gen. Rafael Eitan and were reported in the Israeli press. Gen. Eitan was commenting on Mr. Sadat's crackdown on religious extremists and political foes, which resulted in 1,600 arrests.

"There are troubles in Egypt," Gen. Eitan said, "and it is possible that President Sadat will go and everything will come to an end. Peace with Egypt relies on the continuation of President Sadat's role."

A spokesman for the Egyptian Defense Ministry said the Israeli general's remarks were "slandering and harmed the peace process."

"Irresponsible Remarks"

Egypt's defense minister, Gen. Abdel Halim Abu Ghazala, has asked Israel's defense minister, Ariel Sharon, for an explanation of "these irresponsible remarks," an Egyptian defense spokesman said.

(Israeli officials said they did not know of any request from Cairo concerning the remarks. The Associated Press reported from Jerusalem. Gen. Eitan's office issued a statement claiming he had been misquoted. It expressed surprise that the Egyptians had not requested the text of his remarks.)

## Israeli General's Comment Sets Off Dispute With Egypt

Meanwhile — after a week of negotiations by members of a special Arab League committee, rival local militias and the Syrian military leaders of the Arab deterrent force in Beirut — bulldozers finally opened a passageway across the green line, which splits Beirut into Christian and predominantly Moslem sectors.

The road has been closed for months by snipers. Traffic was light during the weekend. Previous attempts to open the main passageways across the city have met with little success.

## 2 Civil Guards in Spain Wounded in Explosion

The Associated Press

SAN SEBASTIAN, Spain — Two paramilitary Civil Guards were gravely wounded over the weekend when a bomb exploded in an electrical plant at the town of Usurbil, in northern Spain.

The guards, police said, were at the plant Saturday to investigate information that the plant was going to be blown up. Police said that the bomb was believed to have been planted by commandos of ETA, the separatist organization seeking independence of northern Spain.

## Nuclear Blast in Siberia

The Associated Press

STOCKHOLM — The Seismological Institute at Uppsala University reported detecting on Sunday the strongest nuclear explosion recorded this year in the Semipalatinsk area in Siberia.

# Pol Pot Seen as Benefiting In Cambodia Front Accord

By Henry Kamm  
New York Times Service

SINGAPORE — The Cambodian Communist movement led by the ousted premier, Pol Pot, was intrinsigent and self-assured throughout the conference two weeks ago in which it and two non-Communist factions agreed to work toward a coalition against Vietnam's occupation of Cambodia.

A senior government official here who is in close contact with the three delegations reported that former Premier Khieu Samphan, who was head of the Communist delegation, went back on earlier public offers to give the premiership in a coalition government to Son San, leader of the largest non-Communist guerrilla force opposing the Vietnamese.

Western former premier, Mr. Son San, a pro-Western former premier, is making formal the offer of the top coalition post, the Communist leader would not go beyond stating that the premiership was a matter to be discussed in a committee the three factions agreed to form.

Prince Norodom Sihanouk, the third participant, repeatedly declared his support for Mr. Son San to head a coalition group to replace the Communists as Cambodia's representative at the United Nations.

## ASEAN Efforts

The new Communist stand threatens the efforts of the five-member Association of Southeast Asian Nations (ASEAN) to enhance the standing of Mr. Son San. The countries of the non-Communist group — Singapore, Malaysia, Indonesia, Thailand and the Philippines — refuse to accept Vietnam's military conquest of its neighbor but find the Pol Pot movement, despite its recantation of its destructive record as Cambodia's government, an unpalatable alternative.

The association members fear that they cannot indefinitely sustain a UN majority against the regime installed by Vietnam unless the Pol Pot movement can be diluted with supporters of Prince Sihanouk and Mr. Son San.

The members urged the non-Communist groups to accept the risk of even a loose association

## 2 Civil Guards in Spain Wounded in Explosion

Miss Li, who participated in an unorthodox art exhibition last year, had been staying at Mr. Bellefroid's apartment in the compound while the diplomat was in Hong Kong.

Mr. Bellefroid said Miss Li's sister told him after his return to Peking that Miss Li had telephoned her Wednesday morning to arrange a meeting at 3 p.m. The sister said officers surrounded and arrested Miss Li as she arrived. According to the artist's sister, Miss Li kicked and screamed before she was shoved into a jeep and driven off to the detention center.

Mr. Bellefroid and Miss Li had received tentative approval for their marriage just before he left for Hong Kong on Sept. 8.

Although the number of marriages between Chinese citizens and unofficial foreigners has increased as China opens to the outside world, the process is very difficult and often dangerous.

with the Pol Pot group on the supposition that China was ready to persuade Mr. Pol Pot, who derives full support from Peking, to make concessions.

The official here, however, said China appeared to have strengthened the Pol Pot movement's belief that its situation in the field is strong and that the initial danger of Vietnam wiping out the movement had passed. The movement is estimated to have 30,000 troops occupying enclaves along the Thai border.

Southeast Asian officials believe that Peking has bolstered the movement's confidence by affirming that Vietnam's military, economic and political situation is so bad that Hanoi will have to soften its stand that its conquest of Cambodia is irreversible. Moreover, a government source said the flow of Chinese supplies to the Pol Pot forces had been sufficient to enhance that confidence.

The senior official also noted a remarkable stiffening of the Pol Pot group's attitude toward demands from non-Communist nations. ASEAN diplomats share a belief held in the Sihanouk and Son San camps that the Communist faction was the sole beneficiary of the declaration of intent approved at the meeting that concluded on Sept. 3.

## Chinese Seize Artist Fiancée Of Diplomat

Washington Post Service

PEKING — A Chinese painter who is engaged to a French diplomat was arrested Wednesday and taken to a detention center while the diplomat was in Hong Kong on business, the diplomat said.

Emmanuel Bellefroid, 33, a French attaché who specializes in the problems of Chinese youth, culture and dissent, said Saturday that his embassy has been rebuffed in its efforts to find out why police are holding his fiancée, Li Shuang, 25.

Mr. Bellefroid said Miss Li was taken away by nine plainclothes police officers who intercepted her at the gate of a diplomatic compound where she had planned to meet her sister.

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**SENIOR EXECUTIVE POSITIONS**

Published every Monday, this is a compilation of senior positions published in the INTERNATIONAL HERALD TRIBUNE and other selected publications. Comments concerning this feature can be addressed to Juanita Caspari in Paris.

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# India, Bangladesh Discuss Claims To Tiny Island in Bay of Bengal

By Stuart Auerbach  
Washington Post Service

**NEW DELHI** — A tiny crescent-shaped sandspit, formed about 10 years ago in the Bay of Bengal is the current focus of bad blood between India and Bangladesh, with each of the neighboring countries having sent gunboats into the area to reinforce their conflicting claims on the island.

India appears to have won the first round, landing a detachment of its paramilitary Border Security Force and hoisting its flag over the disputed island, which has an area of less than 2 square miles at low tide. Bangladesh, far smaller and weaker than India, denounced this action as "naked aggression."

Bangladesh Foreign Minister Mohammed Shamsul Haq arrived in New Delhi on Friday for two days of talks with Indian authorities to try to decide the fate of the tiny lump of sand and silt, which India calls New Moore Island and Bangladesh calls South Talapaty Island.

India has withdrawn its gun-

boats from the vicinity of the island.

The island itself is considered worthless. But say new national boundaries that arise from the termination of its ownership could give either India or Bangladesh title to thousands of square miles of the ocean floor and the oil, natural gas and any other mineral wealth that might be found under it.

Both sides have displayed photographs taken from American space satellites to press their claims, which depend on the main channel of the Hariabhanga River that flows along the border of the two countries. One problem, however, is that the river continually shifts course in the swampy estuary that marks its entrance into the Bay of Bengal.

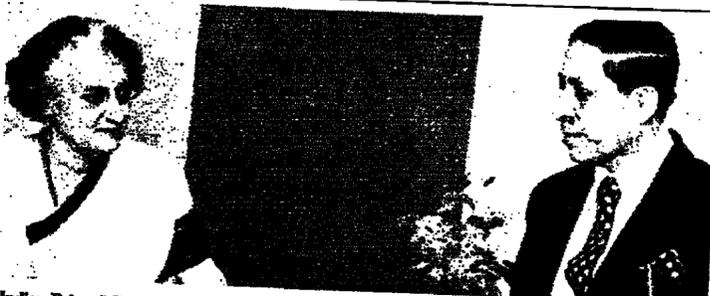
To solve this problem, Bangladesh insisted in a white paper published in Dacca that former Indian Prime Minister Morarji Desai had agreed to a joint survey to determine ownership of the island. If that survey shows that the island

belongs to India, one Bangladesh official indicated his country would give up its claim.

But the present Indian government of Prime Minister Indira Gandhi has questioned whether Mr. Desai ever agreed to a joint survey and instead has offered data from its own survey that it said proves the island belongs to India.

This is but the latest episode in ever-worsening relations between the two countries since India in 1971 played a major role in helping Bangladesh — the former East Pakistan — separate itself from Pakistan in a move that greatly increased New Delhi's power on the subcontinent by effectively dismembering its major rival.

Those halcyon days of 1971 are barely remembered in Dacca today, however, and anti-Indian feeling appears to be pervasive. Besides the question of the ownership of the newly formed island, there is a major disagreement over the sharing of the water during the dry season of the Ganges River.



Indian Prime Minister Indira Gandhi, left, met over the weekend with Bangladeshi Foreign Minister Mohammed Shamsul Haq for talks about an island in the Bay of Bengal that both states claim.

New Delhi blames the current surge of ill feeling toward India on Bangladesh's political instability following the assassination three months ago of its popular president, Ziaur Rahman, and the return to Dacca from exile in India of Hasina Wazed, the daughter of Sheikh Mujibur Rahman, who led the separatist forces that founded Bangladesh.

This internal instability led the Dacca government to aggressively push its differences with India, officials in New Delhi said.

Nonetheless, it appears that India has taken the lead in forcing its claim to ownership of the island in the Bay of Bengal, which is believed to have been sprung up in 1971 as a result of tidal action.

India detected the land first, claimed ownership in 1971 and told the British and U.S. navies then of its position so it could be included as part of India on charts of the area.

"This was at a time," Bangladesh said in a white paper detail-

ing its position, "when the entire people of Bangladesh were engaged in a life or death struggle during its war of independence."

It took seven years for Bangladesh to assert its claim to the island, which sits about 2 1/2 miles off the shore of India and about 4 miles from the Bangladesh shore. It said its navy determined that the main stream of the Hariabhanga River flows on the Indian side of the island, proving that it belongs to Bangladesh.

# Ethnic Tensions Said to Rise In Strategic China Province

By Michael Weisskopf  
Washington Post Service

**PEKING** — China's northwest region, which borders the Soviet Union, has been shaken in recent months by communal fighting and ethnic group demands for greater rule, according to diplomatic and Chinese sources.

The recent trouble in Xinjiang province constitutes China's most serious minority problem in years and has already prompted emergency inspection tours by Chinese Chairman Deng Xiaoping, and top provincial leadership changes.

Xinjiang's stability is of great concern to Peking because the province's location is contiguous with four unfriendly neighbors — the Soviet Union, India, Mongolia and Afghanistan. It is also home for the Lop Nor nuclear test site and 250,000 Chinese border guards.

The region's strategic sensitivity is sharpened by what the Chinese claim to be constant Soviet radio broadcasts beamed into Xinjiang in several languages urging the province's minorities to resist Chinese domination.

was averted when the sentence was commuted.

Trying to restore stability, Peking dispatched Politburo member Wang Zhen to Xinjiang twice in 1980. But Mr. Wang, who served as the province's first party secretary until the early 1950s, was unable to contain the violence and political fissures within the provincial party committee, according to diplomats.

The situation deteriorated so badly last month that Mr. Deng, China's most powerful political leader, traveled the 1,500 miles from Peking to Xinjiang to help mediate political infighting between Chinese and Uighur members of the provincial ruling committee, according to diplomats.

9-Day Visit

Although publicly Chinese officials describe Mr. Deng's nine-day visit as a routine general inspection, others say privately he confronted a revolt by Uighur provincial committee members against the Chinese ruling majority.

High-ranking Chinese officials have told diplomats that Mr. Deng organized a reorganization of the provincial committee, which serves as Xinjiang's local ruling body. The diplomats were told that Xinjiang's first party secretary, Wang Feng, was recalled to Peking although that report was later publicly denied.

The second party secretary, however, was replaced within recent months. The new official, Gu Jingsheng, was the deputy political commissar of the Canton military command. His military background is said to reflect Peking's interest in re-establishing order in Xinjiang.

In its September edition, Cheng Ming reported that Mr. Deng discovered an "unsteady situation" in Xinjiang. The magazine said that Uighur dissidents had planned a provincewide uprising against Chinese rule, following the slogan, "We want self-rule and don't want to be dominated."

Xinjiang, a vast and arid outback in the northwest corner of China, is one of five so-called autonomous provinces with large concentrations of minorities. These regions were set up by the Communist Party as places where China's ethnic groups could enjoy some degree of freedom to practice their religion, maintain their traditions and teach their languages.

Although China has more than 50 different minority strains, they comprise only 6 percent of the nation's 1 billion people.

Since 1949, 5 million Han Chinese have been brought to Xinjiang from eastern China to help assimilate the Uighurs, Kazakhs, Tartars and other minorities who are among the most rebellious in China.

# Violence Subsides in Sri Lanka but Tamils' Calls for Secession Grow

By Michael T. Kaufman  
New York Times Service

**JAFFNA, Sri Lanka** — The latest outbreak of ethnic rioting in Sri Lanka, which claimed 12 lives last month, has subsided, but suspicions between the island's two culturally distinct linguistic groups remain.

As army units continued to patrol tense areas under a state of emergency, President Junius R. Jayawardene sharply criticized members of his ruling party who, he asserted, had inflamed passions among the largely Buddhist Sinhalese, who make up 74 percent of Sri Lanka's 14.5 million people.

"I regret that some members of my party have spoken in Parliament and outside, words that encourage violence and the murders, rapes and arson that have been committed," he said, warning that he would resign as head of the party if its leaders continued to encourage ethnic hostilities.

In this city at the northern tip of the island, where the population is mostly Hindu Tamil, few people seem receptive to conciliatory gestures from the capital. Longstanding demands for greater participation by Tamils in national life have given way to open calls for secession and independence.

Within the Tamil front, Mr. Yogeswaran is a hard-liner who accepts the inevitability of violence.

"Eelam cannot be won by other than violent means; the majority will never simply accommodate us," he said.

When asked whether fighting a vastly larger group was not equally hopeless, the lawyer responded with anger. "The Sri Lanka Army is just rabble," he said. "Just 5,000 young Tamils, if they had arms, could beat them easily."

**Library Burned**

Mr. Yogeswaran's anger was personal. Three months ago his house was burned by what many Jaffna people say were Sinhalese policemen. On the same night, the local library, with its collection of 97,000 books and Tamil manuscripts, was burned and destroyed, as were some shops in the market.

The burnings came on the eve of elections for a district development council. These councils are widely believed to be a device designed by President Jayawardene to give greater local autonomy to Tamil areas without arousing the wrath of Sinhalese who regard any gesture to the Tamils as appeasement.

In Jaffna, the fires aroused Tamil nationalism, and voters elected all the candidates from the Tamil United Liberation Front to the council, choosing A.S. Nadarajah as the chairman.

Mr. Nadarajah, who sits in a large empty office, takes a skeptical view of his job. "They say the district council will have authority over all departments — police, education and so forth — but for funding we are dependent on the center. Are we to have autonomy and local control? So far what we have is this very nice room."

Like most Tamils, Mr. Nadarajah insists he wants full independence, but he is concerned about the prospect of violence. Asked whether he thought the demand for Eelam was a bargaining position or an ultimatum, the 60-year-old lawyer replied, "We shall see what conditions obtain, although we have a mandate from the electorate to bring about Eelam."

Mr. Nadarajah said Tamils were aware of their potential to disrupt the government. He said their grievances include police and army harassment and

the favoring of the majority Sinhalese in the disbursement of development resources and government jobs.

Several Tamil government employees in Colombo, who disagree with the Jaffna position, said they feared that in advancing the Eelam idea the politicians were stuck with a demand that could not be satisfied but, because of popular emotions, could not be withdrawn.

One high-ranking Tamil civil servant in the capital tried to put the tensions into perspective: "In my career I have at times been insulted and humiliated by individual Sinhalese, but there is no official discrimination. A Sri Lankan can study or sit for exams or do business in either language."

**Strongest in North**

A few integrated Tamils in Colombo noted that the cry for Eelam was strongest in those areas where Tamils, because of their high concentrations, are least vulnerable.

None of the victims of the recent disorders was from the Jaffna region. The victims were what are called "estate Tamils." They are descendants of people brought within the last century, from what is now the Indian state of Tamil Nadu, to pick tea on British plantations. They make up 5.6 percent of the population and live in pockets in the south. The older "Ceylon Tamils" in the north account for 12 percent of the population.

Ethnic tensions have greatest impact on the estate Tamils. Their fears rose in July when a police station in the north was attacked and two policemen were killed. No one was arrested, but rumors spread that Tamil terrorists associated with nationalists were responsible.

Skirmishes broke out Aug. 11 between Tamil and Sinhalese students at a college sports meet. By nightfall there were attacks on several Tamil communities in the south. Tamil shops were burned and livestock was killed and taken. Ten Tamils were killed in mob violence. One Sinhalese died after being shot by the police, and an Indian was axed to death.

**Slayings Protested in India**

**NEW DELHI (AP)** — A general strike, called by the Tamil Nadu state government to protest attacks last month on Tamil-speaking residents of Sri Lanka, closed businesses and disrupted traffic in the state.

No trouble was reported during the strike Saturday. The administration of Tamil Nadu, which is ruled by a regional party, the Anna Dravida Katcham, also had declared Saturday a state holiday.

The strike had the support of most opposition parties in India, although Prime Minister Indira Gandhi had disapproved of it.

# Many Evacuated as Summer's 4th Big Flood Hits China

United Press International

**PEKING** — Heavy rains have sent the highest floodwaters in at least 27 years through upper reaches of the Yellow River, threatening the country with the fourth major flood of the summer and forcing widespread evacuations.

Authorities said no casualties or widespread damage had yet occurred. But people living along the river were being evacuated and 100,000 people were being organized into disaster teams in one endangered area.

Floods earlier this summer hit Sichuan, Shanxi and Liaoning provinces, killing more than 2,300 people

and inflicting heavy economic damage. The Yellow River, or Huang He, flows through Qinghai, Gansu, Ningxia and Inner Mongolia before entering more heavily populated and cultivated areas.

The Chinese news agency said the waters were menacing the biggest hydroelectric engineering project on the river, which is being built in Qinghai.

In Gansu, officials were preparing to open the floodgates of a hydroelectric dam as a last resort to reduce the pressure of the flood, the People's Daily newspaper said. It said some low-lying stretches along the river were inundated, isolating some villages.

**Southern City**

A few months later in the southern city of Kashi, a Chinese soldier driving a military truck struck and killed a Uighur pedestrian. When the court, dominated by Uighurs, convicted the driver and sentenced him to death, the predominantly Chinese police force refused to execute him and the local army command threatened to mutiny if the sentence was carried out, Cheng Ming reported. Further trouble



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## Kurt Waldheim Again?

Kurt Waldheim reveals an unexpected maochistic streak, among other qualities, in announcing a readiness to accept a third five-year term as secretary-general of the United Nations. It is, in the common phrase, a thankless job, and we have felt in moments of aggravation that a willingness to serve is in itself virtually evidence of unfitness. As Groucho Marx said in another context, he would not want to join any club that would have him for a member.

But why should the secretary-generalship be considered a thankless job, one that ought to go to some suitably self-effacing international civil servant with the skills to make himself palatable to the world's principal power blocs? Why should it not be considered instead a post that offers an individual of spirit and vision an unparalleled opportunity to promote the goals that the members of the organization insist they share?

"Neutrality" is now commonly considered a qualification for the post. Why not fairness? Rather than accept someone who can claim to be thoroughly familiar with the international machinery, why not seek out someone with a deep desire to use it to advance the purposes of the UN Charter? A secretary-general is often expected to have,

or to express, views that offend no member, or at least no member other than South Africa and Israel. But suppose the test were that he or she could express a point of view that rose above the usual quarrels and offered a new and individual insight into the problems that come before the world body? The capacity to reflect the views of the members ought to be supplemented by a capacity to contribute to the collective chemistry.

Most of the time the job has been sought by politicians who are out of pocket at home, or waiting for the prime minister's office to open up. The governments that do the voting evidently feel safest choosing one of their own. We are under no illusions that there is any strong impulse anywhere to change the system this time. It has to be said, however, that the quality of person available to be secretary-general is both one of the symptoms and one of the causes of the unnecessarily low state of the United Nations' effectiveness and reputation.

We say this not to be harsh on Mr. Waldheim. But, perhaps foolishly, we remain tantalized by the notion that the United Nations could be something other, something better, than it is now.

THE WASHINGTON POST.

## Solidarity and Solidity

With breathtaking boldness, Poland's union, Solidarity, has defied one after another of the Soviet strictures for Communist political life. The first independent convention ever held in Communist Europe has called for democracy, workers' control of industry, and solidarity with free labor unions elsewhere. The Kremlin, as its ominous threats suggest, understands what all this means. The Polish revolution is far from spent.

Of course, Solidarity only demands what every Pole has been taught for decades to honor with lip service. But the slogans of worker power are being liberated from the thrall of Communist cant. In a gesture not without humor, the union obligingly acknowledges the "leading role" of the Communist Party — whose recent inability to lead has in fact been the main problem.

Power in Poland today is fractured in paralyzing ways. There are centers of organized strength in the party, the army, security agencies, the Catholic Church and workers' and farmers' unions. But they are themselves divided and have been unable to form coalitions that would support stable government. Hovering over them all is Soviet military power, once again flexing its muscles on the frontiers. But it is only military power, which cannot in this situation recreate a political system or restore economic health.

The Polish people thus have assets that the

Hungarians, Czechs and Afghans lacked. That is why a Soviet takeover or invasion has not so far occurred, and why the hapless Polish Communist leaders lurch between rigidity and compromise.

The Soviet Union continues to see but one hope of defeating this union movement without massive cost in bloodshed, economic disruption and political humiliation. Its course, barely palatable, has been to concede to Solidarity ever more ground in the hope that one day it will stumble and divide or alienate its enormous following.

How could that happen? Through the very events now unfolding. Solidarity is becoming increasingly political, ranging from the provision of food to the conduct of elections and even foreign relations.

The union's objective is a hitherto unimaginable dose of democracy. The more it gains, however, the more responsibility it assumes not only for factory life but for government itself — and the abysmal state of Poland's economy. Without economic revival there will be no Polish independence. And without hard choices, reduced incomes and increased productivity, there will be no revival. Only when the time comes for settling down to work will anyone really know how solid Solidarity has become.

THE NEW YORK TIMES.

## Coming Up on October 1

What will happen on Oct. 1 when most of the \$35 billion in budget cuts voted by Congress last July go into effect? It depends on who you are and where you live.

Some kinds of people will be hurt wherever they are. If you are one of the holders of last year's 350,000 CETA jobs, you will be laid off, if you haven't been already. If you are a welfare mother with a job, your family will lose some and perhaps all of its supplemental welfare aid, food stamps and perhaps Medicaid coverage as well.

You may also find a case worker at your door wanting to enumerate your possessions to see if they exceed the newly lowered limit on such holdings. If you are from a low-income working family not on welfare, your food stamps will be reduced, and you may find that Medicaid will no longer help you if you face very large medical bills. How fast this will happen depends on how long it takes the welfare office to process your case.

If you are a schoolchild, you are probably already eating a poorer lunch (those cuts went into effect this month) unless your school district is wealthy enough to make up for the lost federal aid. If you are applying for a government loan for the next college term, you will find interest rates up and new income limits in place. If you are out of work, there will be less help in training for and finding a new job and new limits on benefits for the long-term jobless.

Small businessmen and farmers will start finding it much harder to get government loans. Travelers will find their opportunities further reduced: Starting Oct. 1, Amtrak will cut service by about 10 percent, and some routes will be discontinued.

Other effects will be slow to develop. Most education programs won't be hit until a year from now, since they are funded a full year ahead. Housing and other economic develop-

ment programs usually have money in the pipeline, so they won't slow down right away. Gradually, however, waiting lines for low-income housing will grow still longer, maintenance of roads and community facilities will lag, and fewer ports will be dredged.

In programs such as day care, services for the elderly and community health, states will find it hard to translate the big federal aid cuts into immediate reductions in service. In many areas these programs are already suffering from local budget cuts and the loss of CETA workers, so that further layoffs of workers may be delayed in the hope that other sources of help can be found. This may mean an even sharper drop in service later in the year to make up for overspending, especially if the administration obtains the further cuts in 1982 spending it is seeking.

How much hardship all of this produces will depend on the ingenuity and wealth of each state and locality. In areas benefiting from the energy boom, primarily the West and the upper Midwest, heavy taxes on oil, coal and other mineral resources and general prosperity will make it easy for states, private industry and philanthropy to fill the gap. New flexibility in a few programs may also help states to concentrate remaining federal aid on the neediest localities. But about half the states, hurt by the continuing slump in basic industries and by locally imposed limits on taxes and spending, will find it hard to maintain present commitments, let alone to compensate for lost federal revenues.

In other words, if you are personally well-fixed or live in a prosperous area, you are not likely to find the first round of the budget cuts hard to live with. But if you or your community are already in trouble, your trouble will likely get worse.

THE WASHINGTON POST.

## In the International Edition

Seventy-Five Years Ago  
September 14, 1906

Fifty Years Ago  
September 14, 1931

LAUSANNE — Several tradespeople of this town have been shown the picture of the murderer of M. Muller, and she has been recognized to be a young St. Petersburg nihilist, Tatiana Leontieff. Professors at the Lausanne Medical School, where she followed the lectures, remember her as an intelligent student. Her father, it appears, holds a good position in the Russian army. Tatiana seems to have been connected with the attempt to poison the Dowager Empress at St. Petersburg a year ago. So far the companion of the guilty girl has not been found and she still maintains her attitude of mute obstinacy.

VIENNA — The Heimwehr organization, led by Dr. Walter Pfrimmer of Styria, its official chief, undertook a putsch in the early hours this morning with the object of establishing a dictatorship in Austria. The venture, however, proved ill-timed. At the critical moment the organizations in all the provinces except Upper Austria and Styria failed to link up and government troops, reinforced by police and the gendarmier, were on the scene in time to intimidate the insurgents into submission. In a clash between the Heimwehr forces and police in Kapfenberg, two workers were killed and two others wounded.



## A Thankless Wall Street Hopes for More From Reagan

By David S. Broder

WASHINGTON — Despite my handicaps as a non-lawyer, a non-financial expert and a non-partisan of the Reagan administration, it is plain even to me that the White House has grounds to sue Wall Street for non-support. Ronald Reagan's economic plan is being mauled by the money managers even before it gets a trial run. If the assault weren't so recklessly selfish and stupid, you could really laugh.

If ever there has been a government in Washington eager to do acrobatics to please the business and financial big shots, it is this one. It has taken the biggest whack at federal spending in 50 years, and every nickel of it from "people programs" that the monied folks don't need, don't want, don't use and don't support.

It has cut taxes generously for rich folks and even more generously for corporations. And the response has been one sulkily bear of a market, a tailspin in stocks and bonds and a run-up in interest rates that have given the United States the shakes and cast a pall over the bright economic future Reagan and his allies projected. Thanks a lot, Wall Street.

However much Reagan and Co. have contrived to get government off business' back, the mighty men of the financial markets have said, "It's not enough. We want more."

Although Reagan never advertised it, the tax bill he bulled through Congress goes a long way toward eliminating the corporate income tax as a significant source of federal revenues. A top lobbyist for the bill says it will cut the corporate tax bills in half. But a lawyer I know has a client company that paid \$42 million last year and will pay somewhere between \$2 million and nothing next year. Given the creativity of corporate accounting, I'll bet that is far from unique.

The smart guys in Wall Street know this — even if most of the average Joes who were phoning their congressmen to pass the

Reagan tax bill did not. The smart guys know what the tax bill means for corporate cash flow and future after-tax profits.

They know these are the ingredients for a booming stock market that would funnel billions into job-creating investment. But they ain't buying stocks. Why? Because they can make even more money cashing in on the incredible interest rates they can exact from government and private borrowers in the current debt-financing crunch.

As a top Washington business lobbyist put it, "They can make 20 percent, with virtually no risk, buying short-term government obligations, so why should they take the risk of equity investments?" From one viewpoint, you could say Reagan is getting exactly what he deserves, as a true believer in the historically dubious theory that there is a "natural harmony" between business advantage and the public interest.

Having exalted the virtues of the marketplace, he is now seeing his own program victimized by men who calculate everything by the bottom-line calculus of that coldly impersonal market. For Reagan to jawbone the financiers for lower interest rates, as congressional Republicans suggest, would not just be ineffective, it would be inconsistent with his principles.

And yet it is stunning to see the big wheels of Wall Street so callously scuttling the very program that American business, in a literally unprecedented fashion, propagandized and pressured Congress to pass just a few weeks ago.

I asked my lobbyist friend, a key figure in that effort, "Don't they realize they have bought in on Reagan's program and they have a stake in its working?" It was, apparently, a naive question.

"Let me tell you," he said, "there is no more shortsighted set of people than the

WASHINGTON — The first meeting between President Reagan and Prime Minister Begin of Israel ended, as most summit meetings do, in a cloud of amiable ambiguities. On the whole it made progress — not much, but some.

It avoided the clash of personalities both sides feared after Israel's bombing of the nuclear facility in Iraq and the PLO headquarters in a civilian quarter of Beirut. This was achieved partly because Reagan, unlike Begin, has a genius for avoiding personal confrontations, and his staff arranged this meeting very carefully in advance.

Before Begin came here, he was presented with a schedule of his meetings with the president and the Cabinet as precise as an airline table of arrivals and departures — down to such details as how many steps he should take before shaking hands with Reagan.

This was not precisely what the Israeli prime minister expected. Little if any time was reserved for private conversations with Reagan or any of Reagan's top officials. He had plenty of time with Secretary of State Haig and Secretary of Defense Weinberger, but these talks were also very official — usually with seven or eight other officials in the room, whose presence limited the intimate private exchange of ideas Begin wanted.

### Loose Talk?

What is surprising is that the protocol was so rigid and the statements at the end were so loose.

The two sides agreed on what was called a "new strategic relationship" to counter direct or indirect Soviet aggression into the area between the Mediterranean and the Indian Ocean, but they gave different interpretations about what this meant.

Begin came here talking about stockpiling U.S. weapons in Israel and supplying Israeli air cover, naval ports and airfields if required in the transport of U.S. military power to the area in any emergency. Haig, in contrast, was more cautious. Concerned about the reaction in the Arab world to any such specific U.S.-Israeli military arrangement, he talked about putting U.S. "medical supplies" in Israel and merely suggested there would be negotiations later about military stockpiling.

Congressional leaders, just back from their districts at the start of another budget cutting battle, don't quite know what to make of all this talk of new "strategic arrangements" and they have some serious questions:

Is this merely a tactical maneuver by the Reagan administration to keep the Israelis from trying to block Reagan's shipment of AWACS reconnaissance planes to Saudi Arabia?

If the United States is going to stockpile tanks and other military hardware in Israel, who will supervise it — U.S. troops or Israeli troops?

### Or Commitment?

If new air and naval bases are to be built in Israel for use by the United States in an emergency, who will pay for them?

More important, if the United States is entering into a new strategic relationship for the defense of Israel and other states in the Middle East, as many of us have been arguing for 20 years that it should, should not this question be brought before the Senate and the people of the United States and debated as a solemn treaty commitment?

Begin wants this "new strategic relationship" to be defined in a memorandum, and he's well within his rights to say so. At the same time, while talking about the United States and Israel as "allies," he wants no written alliance that would limit his freedom of preventive aggression.

This Reagan-Begin meeting is only the latest symbol of the slackness of U.S. diplomacy. America seems now to be sliding into military commitments without knowing what they are or what they will cost.

The argument that the Middle East is as important to the future security of the United States as Europe was at the end of the last world war is fairly obvious. But Americans should not hear about the problem by leaks and vague promises of support without knowing what all this may mean — and without getting any assurances from the Israelis about the solution of the Palestinian problem, which still remains the main threat to the peace of the area.

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Wall Street financial community, I'd really like to see Reagan tell these people to shove it. They didn't elect him and they don't own him."

But of course Reagan is not doing that. Instead he is going back to Congress for yet more cuts, in order to convince the money managers that he will somehow balance the budget.

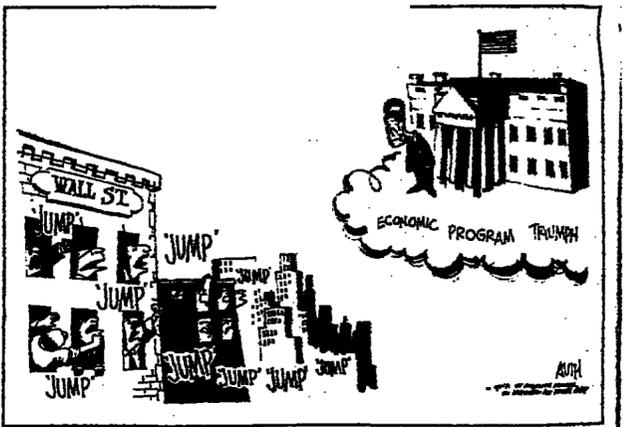
I thought to myself: The people who are imposing these demands are people who proclaim the virtues of risk-taking. But they won't take risks themselves. They are the ones who say it's time for school-lunch users and subway riders to pay their own way and

even make some sacrifices. But they will shortchange American enterprises' long-term capital needs in order to make a little more fast money on high interest rates.

My grandmother used to talk about people who know the price of everything and the value of nothing. If these money men don't understand that they will never have a government more eager to please them than this Reagan outfit, and they sink its policies by their shortsighted selfishness, then they deserve what they will get.

It's just too damn bad a lot of other people will get hurt in the process.

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## Finding Some Russians in Southern Africa Is Not News

By David Newsum

The writer was assistant secretary of state for African Affairs from 1969 to 1973 and undersecretary of state for political affairs from 1978 to 1981.

WASHINGTON — South Africa is trumpeting the results of its raid into Angola as proof of the Soviet Union's strategic involvement in southern Africa. It hopes that the captured Soviet sergeant major, the dead Soviet officers, the Soviet arms booty and the photographic evidence of a Soviet presence will generate further support in the United States and Europe for South Africa's resistance to any plan that might bring the guerrilla organization known

as the South-West Africa People's Organization to power in Namibia. South Africa hopes the evidence will discredit SWAPO, for that would possibly mean further support for major changes in the United Nations plan for Namibian independence.

South Africa sees the outcome of its raid as the opportunity it has long awaited to demonstrate irrefutably that its position on Namibia defends Western interests against Soviet military power and that the Namibian problem is part of the global strategic problem, not a residual decolonization issue.

The United States should be wary of accepting this South African view.

The presence of Soviet advisers in Angola and with SWAPO is not news. In the days of Portuguese colonial rule there were few Western arms sources open to the liberation movements. When SWAPO began a military effort against South African rule in Namibia, it found few alternatives to East-bloc weapons.

The immediate reported cause of the raid, the emplacement of Soviet surface-to-air missiles, likewise does not necessarily suggest a new Soviet-initiated extension of Eastern power. The emplacement is more likely related to the acknowledged South African surveillance flights over Angola.

The Soviet response so far has been silence. Angola is far from the Soviet Union. Moscow's prestige is not involved there as it is in closer, more highly publicized confrontations. If an emphasis on the Soviet presence leads to a Soviet response, this can cause only more tension and risk of conflict.

To resist a polarized approach to the Namibia problem is not to underestimate the threat to Western interests posed by the continued presence of Cuban troops in Angola and the activities of Soviet and East German advisers with Angolan forces and SWAPO. An approach that leads to more frequent or more violent confrontations, postponing the process of a negotiated solution, runs a far

greater risk of strengthening the very presences that Washington seeks to eliminate.

The South Africans stress the Marxist orientation of SWAPO's leaders. That orientation, too, must be seen in perspective. Many leaders of Third World nations who later became friendly to the United States flirted with Marxist polemics and philosophy. This is not something to welcome, but it need not be equated with a pro-Soviet stance. Prime Minister Rob-

### A world-scale strategic problem, or a residual decolonization issue?

ert Mugabe of Zimbabwe is the latest example: The Soviet ambassador was kept waiting for many months in Salisbury before he could present his credentials.

Soviet advisers and their adjuncts are in southern Africa because of the opportunities presented by unresolved colonial issues. The way to deal with that presence is by a concerted effort to resolve the last of those major issues.

Ideally, from the South African point of view, the evidence from the Ang. 24 raid would lead to a change in the United Nations plan for Namibia that would effectively exclude the guerrillas on the

ground that they are Marxist and terrorists.

If an independent Namibia that is internationally acceptable is to result, this approach will not work. SWAPO must be given the opportunity to demonstrate, through an election, the validity of its claim that it represents the great majority of the people of Namibia. If it does not have this opportunity, the United States, its allies, the black African nations and South Africa will face a long and unsatisfactory repetition of Rhodesia's unilateral declaration of independence.

Both the United States and South Africa say they want a Namibian solution. The opportunity exists. It would be a tragedy if it were lost because of a shift toward increased military confrontations caused by the "discovery" of advisers whom the world long knew were there.

The capture of the Soviet sergeant major and the "revelation" of the extent of the Soviet presence in Angola are not a signal to shift to the confrontational course of South Africa's side. Instead, they should be a reminder that the unresolved problems of the past have created opportunities for Moscow and that these opportunities will remain until their problems are solved in a manner acceptable to the African nations and America's European allies.

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# Bond Yields Reflect U.S. Economic Fight

By Carl Gewirtz  
*International Herald Tribune*  
PARIS — "We're just beginning to enter the dangerous part" of President Reagan's economic program, confided a prominent U.S. economist — one of many who participated in a three-day seminar on the political economy of the United States at the Institut Auguste Comte in Paris last week.

The danger, he explained, is that many people think there are easy, painless solutions to the stagflation bedeviling the United States. "But there are no easy solutions," he said.

"The pain now is interest-rate pain — a pain that's sheltered by the tax structure," which allows individuals as well as companies to deduct interest charges when calculating their taxes.

After alluding to the increasing stringency of constraints from Washington about the high level of interest rates, he noted: "We haven't yet had the unemployment really the old way to recovery? There has to be some slack in the

# EUROBONDS

vaded the off-the-record seminar — apart from speakers such as Jerry Jordan of the Council of Economic Advisers representing supply-siders — was an expression of humility by economists regarding their ability to forecast as well as influence developments.

Meanwhile, in the real world of the marketplace, Henry Kaufman of the Salomon Brothers economist who remains Wall Street's most prominent pessimist on the outlook, commented from New York on Friday:

"Giving voice to political frustrations is insufficient to level off the sputter and sput in the economy and irregular and perhaps dangerous increases in the credit markets. Without substantive and difficult-to-achieve policy responses, more acute financial conflict is inevitable and this raises the probability of severe disruptions to both the economy and the credit markets."

The markets last week performed well. Stock prices rose, as did prices of bonds. Statements of renewed Reagan administration efforts to meet its own target on the size of the 1982 budget deficit encouraged investors, as did the modest increase in retail sales lower than expected and taken as a sign that the economy is slowing as intended.

The late Friday figures on the U.S. money supply, however, sowed considerable confusion, with the M-1B measure dropping a seasonally adjusted \$1.1 billion in the latest week — well below targeted growth. On the other hand, the broader M-2 measure rose \$18.8 billion, equal to an annual rate of growth slightly above the official target.

Not knowing which of these figures to take as a clue to this week's money-market developments — whether the Fed will relax its stringency to allow M-1B to increase or rather tighten to bring M-2 into line — dealers in New York knocked down prices of bonds. But this simply shaved the gains as overall prices still remained up on the week.

New-issue activity remains subdued — a reflection of the unwillingness of borrowers to pay the record high coupons needed to market bonds as well as the continuing caution of investors about whether coupons will not yet be driven higher.

Nevertheless, two records were set last week. The highest ever coupon — 18 percent — was set on the 40-million Canadian dollar issue of General Motors Acceptance Corp. of Canada. The six-year notes, callable starting in 1986 at a premium of 101, will be priced Thursday. Lead manager Morgan Stanley insisted the pricing is open and will be decided on the basis of market conditions.

**Hard to Sell**

Talk in the marketplace is that there is no demand for bonds denominated in Canadian dollars. "If you can sell Canadian dollars, you've got yourself a job," two bankers said. Much better yields, bankers said, are available in the domestic Canadian market, although interest income there is subject to tax.

The other record was set in the U.S. dollar sector of the market, when TransCanada Pipeline of Canada paid 17 1/2 percent to sell \$75 million of seven-year notes. The issue initially had been

# Pace Slows In Launching Of Euroloans

By Carl Gewirtz  
*International Herald Tribune*  
PARIS — The pace of new loans launched in the Eurocurrency market has slowed dramatically as bankers settle the paperwork from the fevered pace of July-August and prepare for the expected pickup that usually follows the annual meeting of the International Monetary Fund and World Bank, which is set for the final week of this month in Washington.

Among the few deals of size under way is a \$500-million, five-year loan for Dow Chemical. European Banking is talking to a small group

# SYNDICATED LOANS

of banks for a very private "club" deal. The response, however, has been very favorable and the loan, participants report, could be increased to the neighborhood of \$1 billion. Interest starts at 4 1/2 percent over London interbank offered rate.

At the same time, Citibank is sounding out the willingness of its 35 co-managers to renege the terms on the \$3-billion standby credit arranged for Canada in 1978. Terms on the original eight-year loan called for interest to be set at the Citibank prime rate for the first four years and at a quarter-point over that in the final four years. In addition, Canada is required to pay a 1/4 percent commitment fee on the undrawn amount and a 1/4 percent fee on any amount drawn.

These terms look onerous in today's market and lenders are being asked to accept an alternative LIBOR-based pricing and a rewording on the take-down conditions, presumably to eliminate the supplementary charge on any drawdown.

Some bankers believe it would be cheaper for Canada to cancel its one and only Euroloan and launch a new operation, which they believe could be sold with a margin starting at a low 1/4 point over LIBOR for a considerable period.

**High Excitement**

A rather small \$50-million loan for Carbocool of Colombia has generated an excitement among bankers far exceeding the nominal amount. The reason, one banker said, is that "this is only the tip of the iceberg" of a multi-billion-dollar project with Exxon to exploit coal deposits and the loan for the Colombian partner is the first of many to come.

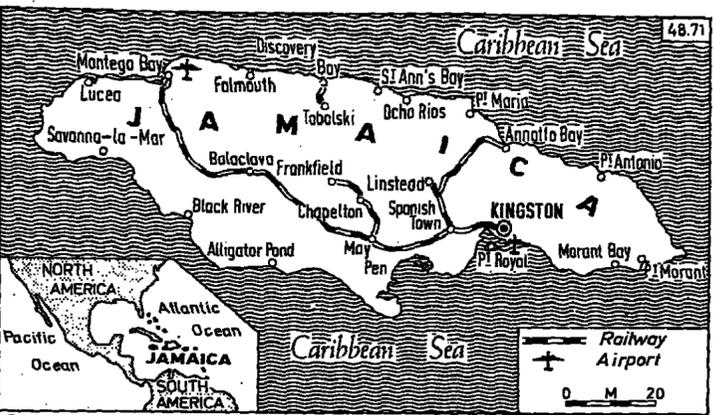
Competition to lead the initial operation, was fierce and the terms — the lowest yet for a Colombian borrower — reflect it: Interest starts at 1/2 point over Libor for the first three years and 3/4 point over Libor thereafter. Colombia's best terms previously were a margin of 3/4 percent for 10 years.

Chemical Bank, Bank of Tokyo and Orion won the mandate to organize the loan, and competitors suspect that it may not be syndicated — allowing the three to keep for themselves the prestige of launching Carbocool on the international market and, presumably, an inside track on future operations.

Panama plans to raise \$200 million in an eight-year loan. Terms are to be set this week but the margin is expected to be set at a split 7/8-1 percent over Libor. Managers include First Chicago, Lloyds Bank, Bank of America and Citicorp.

Argentina's seven-year credit is to be increased to \$600 million from its original \$500 million, bankers report. Other terms remain unchanged with the margin set at 1 1/4 points over Libor for the first two years, 1 1/4 for the next three years and 3/4 point over Libor for the final two years. Banco Nacional de Desarrollo, the national development bank, is reported to be seeking a \$200-million, seven-year loan.

While bankers await Venezuela's jumbo loan consolidating its short-term debt, one-year loans continue to come to market. CVF is the latest with a 12-month credit of \$133 million bearing a margin of 1/4 point over Libor.



Jamaica is seeking to increase its foreign exchange by restoring its image as a tourist's paradise.

# Jamaica, 10 Months After Manley, Still Trying to Regain Credibility

By Ann Crittenden  
*New York Times Service*  
KINGSTON, Jamaica — It has been about 10 months since Prime Minister Edward P.G. Seaga was elected in a landslide victory, with a popular mandate to tilt the country's economy away from former Prime Minister Michael Manley's Socialism and back toward private enterprise. Today, hopes are still high that the shift will bring prosperity back to the island, and indications are that the worst of a long economic decline may be over.

As yet, however, the shattered economy here has shown few signs of revival, as potential investors continue to hold back until they are convinced that stability has really returned.

"Everyone has a 'wait-and-see' attitude," said Dr. Paul Chen Young, an independent economic adviser to Mr. Seaga. "But as long as they keep waiting, nothing will happen."

Unemployment, the bane of the overpopulated Caribbean, is still hovering at around 30 percent. And though inflation has cooled considerably in recent months, even Seaga supporters readily concede that the average worker is no better off than he was a year ago.

Last week, Kingston suffered a cutoff in water supplies, the result of a strike at the water works. Resort hotels on the north coast were still enduring power failures that had guests rummaging in their rooms for candles. The political violence, which took hundreds of lives during the election, has abated, but ordinary crime, according to police officials, has not declined.

**Investors Wary**

A major reason for the slowness in a turnaround in Jamaica is the failure of businessmen, both local and foreign, to respond dramatically to Mr. Seaga's initiatives to encourage more private investment. In the new government's blueprint, additional investment will have to be the primary source of foreign exchange and jobs for Jamaica within four or five years.

In a recent speech the prime minister reported that 13 new investments were already in production, and that 43 more had been approved or were in advanced stages of approval. The projects, in such industries as garments, food production, plastics, furniture, manufacturing and horticulture, represent a total of only \$120 million in additional foreign exchange for Jamaica, which hard-currency reserves are still precariously low. "One problem is that potential



Edward P.G. Seaga — "moving in the right direction"

foreign investors don't want to bring in dollars; they want to borrow the capital they need from banks here," said Kenneth Sasso, managing director of the Royal Bank of Jamaica, a subsidiary of the Royal Bank of Canada. "They don't want to take any risks."

The 408 investment proposals being studied by the government represent an employment potential of only 25,000 jobs, a drop in the bucket when compared with the number of jobs here, estimated at 265,000.

Asked about this during an interview in his offices at Jamaica House, refurbished in 18th-century style, Mr. Seaga said that he still expected to see as much as \$1 billion in foreign investment in the country during his five-year term.

He said that a review of the Jamaican economy undertaken recently by the International Monetary Fund and Jamaican planning agencies "indicated that all of the basic economic indices were now moving in the right direction, after years of decline." He added, "We have begun to turn the situation around."

He said that the rate of inflation for the first six months of this year was less than 1 percent, compared with 12.4 percent for the comparable period in 1980. And economic growth, which according to government figures had declined by 18.3 percent between 1973 and 1980, will be stable at the worst in 1981, he said.

One serious blow to Mr. Seaga's plans has been the decline in production this year of bauxite, which provides about three-quarters of the foreign exchange earnings of the country and finances a large share of the budget. Sluggish world demand has forced the major producers and refiners here — Alcan Aluminum, the Aluminum Company of America and Kaiser Jamaica Bauxite — to cut their operations.

The cutbacks will mean a reduction in production ranging from 1.6 percent to 2.8 percent in 1981, and they have dealt a severe blow to the prime minister's budget projections, which assumed that output would climb steeply during the 1980s.

Moreover, some of the companies are already lobbying for further reductions in the Government's bauxite levy, reduced last year by Mr. Manley, on the ground that Jamaica was still not competitive with bauxite operations in Australia and Brazil.

# SEC Investigates N.Y. Lawyer Over Purchases of Stock

*New York Times Service*  
NEW YORK — A New York law firm specializing in takeovers has disclosed that it had requested — and received — the resignation of one of its partners. It said he had admitted trading in stocks of several of the firm's client companies.

The firm, Wachtell Lipton Rosen & Katz, which has been involved in dozens of big takeovers, identified the lawyer as Carlo M. Fiorentino, 37, an honors graduate of New York University Law School.

The firm said Friday that, after its own investigation, it had immediately notified the Securities and Exchange Commission and that the government agency was investigating Mr. Fiorentino's trading activity.

# Ruling Awaited On TA Takeover Of Continental

*The Associated Press*  
HOUSTON — Texas Air's nine-month takeover bid for Continental Airlines has ended with the purchase of a majority interest, but the acrimonious corporate struggle between the two carriers may not officially end until October, airline officials said.

"It will take us at least several days to determine what our response to Texas International will be," said Julian Levine, Continental vice president for public affairs.

Texas Air, the holding company that owns Texas International Airlines, announced Friday that a \$2.8-million purchase of 300,000 shares of Continental stock Thursday had put its Continental Holdings slightly over the 50-percent mark. Texas Air now owns 7,752,200 shares of common stock issued by the Los Angeles-based airline, Texas Air spokesman Tom Carlson said.

The Civil Aeronautics Board had given its approval to the takeover attempt, but all of Texas Air's shares are held in a nonvoting trust pending a final review of the CAB decision by President Reagan, probably next month.

Until final approval is given to the proposed takeover, there are limitations on what TI can do with its acquisition. TI, for example, cannot change the name of the airline, any of its routes, make any changes in the board of directors or interfere in the operation of the airline.

# Growing Wall Street Skepticism Shouldn't Be Surprise to Reagan

By Leonard Silk  
*New York Times Service*  
NEW YORK — The Reagan administration is struggling to decipher an apparent and annoying contradiction:

Why, if President Reagan has done so much for business, isn't its applause rolling in? Why, if Wall Street supported his tax cuts, budget cuts and restrictive monetary policies, is the Street now so critical of the Reagan program and driving down the values of stocks and bonds?

Part of the explanation emerges from comments by a broad range of Wall Street figures. This is that the Reagan program did in fact give most of what it wanted to Wall Street — that assemblage of stockbrokers and bond dealers, bankers, investment counselors, financial economists, investors, traders, speculators, corporate treasurers and chief executives who buy and sell securities. But the comments show that Wall Street also woke up with more than it expected, and that "extra" has revived fears of federal deficits running out of control.

Wall Street supported the tax program, including 25 percent in cuts in personal income taxes over three years, cuts in the top income tax rate to 50 percent from 70, tax breaks for savers and investors and much else. But then it took fright when it saw tax cuts totaling \$750 billion over the next five years, plus climbing military and nonmilitary spending, even after the Reagan trims in social programs. In Wall Street's view, that all means a string of budget deficits as far as the eye can see.

**Inflationary Budget**

"Clearly, the budget is heading in a trend toward a larger deficit, rather than less," Michel David-Weill, senior partner of Lazard Freres, the investment house, said. "This is inflationary in and of itself."

Not everyone on Wall Street is critical of the president. Morris Cohen, an economic consultant, describes Mr. Reagan's leadership as "almost breathtaking" and predicts that his program "should prove highly beneficial to the economy in the next 12 to 18 months."

But Mr. Cohen is an exception on the Street. The thinking of many of those who have put their remarks on the record is that budget deficits mean heavy government demands on the credit markets, and that means trouble. With the Federal Reserve holding a tight rein on money and credit, it means persistently high interest rates. That is bad news for stocks and bonds, and bad news, too, for autos, housing, state and local governments, small businesses and all others dependent on credit and the price of money.

"I don't believe the market is re-

jecting the Reagan program, per se," Thomas Johnson, executive vice president of Chemical Bank's treasury group, agreed. "It is saying that the increases being proposed in defense spending combined with the size of the budget so far and the prospect of zero cuts in Social Security, can only mean a deficit that will put continued pressure on interest rates."

The Reagan White House has reacted with increasing exasperation — and Republican leaders in Congress with increasing anger — to Wall Street's negative reaction.

# NEWS ANALYSIS

As though the financial community had let down its man, Sen. Howard H. Baker Jr. of Tennessee, the majority leader, even warned Wall Street of reprisals in the form of credit controls, reorganizing the Federal Reserve, a windfall-profits tax on interest income and wage and price controls.

But if Washington's Reagan supporters were disappointed in Wall Street, they should not have been surprised.

Ronald Reagan was not Wall Street's first choice for president, most importantly because it feared the risks of his proposals for large tax cuts in the face of high inflation. If anyone, John B. Connally, secretary of the Treasury in the Nixon administration, commanded most support from the business and financial establishment. And it was George Bush, another establishment Republican candidate for president, who called Reagan's proposed economic program, especially the huge tax cuts, "voodoo economics."

According to the supply-side school of economics, the Reagan tax cuts would give business and investors new incentives and thereby touch off a burst of economic activity that would more than make up for the lost tax revenue. This expectation has required a leap of faith that conservative Wall Street has been unwilling to venture.

Most recently Wall Street's alarm was intensified by analyses of the budget for fiscal 1982, which begins Oct. 1, showing that the Reagan administration's forecast of a deficit of \$42.8 billion was too optimistic. The Congressional Budget Office estimated that the deficit would be about \$65 billion in the new fiscal year.

Wall Street's most respected economist generally agreed with the congressional estimate. The mounting cost of interest payments by government would alone account for most of the administration's underestimate.

The Conference Board, a non-partisan business research body, placed the deficit for fiscal 1982 in a range of \$57.5 billion to \$62.5 billion, but said the true picture was far more stimulative than such figures implied. It predicted that large increases in military expenditures and tax cuts would give the economy a "massive" fiscal thrust of \$107.3 billion, or 3.33 percent of gross national product, in fiscal 1982. That compared with only \$34.6 billion in fiscal 1981, or 1.25 percent of gross national product.

Beyond fiscal 1982, analysts warned that the Reagan program was highly unlikely to produce the balanced budget the president had advertised for fiscal 1984. Data Resources estimated that the budget deficit would climb from \$62.5 billion in 1981 to \$75.7 billion in 1984.

"They are trying to turn around overnight a system and spending patterns we have lived with for decades," said Seth Gluckhaus, director of Gluckhaus & Co., a Wall Street investment advisory firm. "It's just not that simple."

As painful as such appraisals were to the stock market, which tends to look only months, or maybe minutes, ahead, they were lethal to the long-term bond market. That market, already sinking before Wall Street analysts had added up the budgetary implications of the Reagan tax cuts and the military buildup, sank to record lows.

"In 1979, when all the investors were promised a balanced budget, a \$1,000 Treasury bond came out at 9 1/2 percent in the year 2000," Robert L. Shoemaker, manager of the government trading department of Paine, Webber, Jackson & Curtis, said last week. "Today that same bond is selling for \$635. This market is going to seek a level to hide at until it has some proof positive that inflationary deficits are not going to continue to eat away at the value of bond coupons."

What Wall Street now wants is a stricter budget and fiscal policy, which would remove some of the burden from tight money and high interest rates.

His current aim is to reduce the fiscal 1982 budget by an additional \$10 billion to \$15 billion, and to cut \$75 billion more from the budgets for fiscal years 1983 and 1984. But how this is to be done is still to be decided, and Wall Street, betting its own as well as its customers' money, is not yet convinced.

# Correction

The New York Times erroneously reported in a story published in the International Herald Tribune on Sept. 7 that Canada had halted production of its Challenger business jet. Canadaair says that the standard version of the Challenger has been in full production for more than a year. A second version is under development and is expected to fly in 1982, the company says.

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# CURRENCY RATES

Interbank exchange rates for Sept. 11, 1981, excluding bank service charges.

	\$	£	D.M.	F.P.	ItL.	G.W.	S.F.	S.F.	D.K.
Amsterdam	2.4615	—	110.70	46.145	2.2170	—	1.70	129.30	25.45
Buenos Aires (a)	39.25	78.5	16.33	4.223	3.295	14.80	4.10	19.95	5.23
Frankfurt	2.4625	—	—	41.65	1.912	—	—	116.2	21.91
London (b)	1.7038	—	—	42.72	10.220	2.5250	4.797	70.32	14.64
Milan	1.9273	—	—	30.23	20.42	—	452.89	30.42	35.75
New York	—	—	—	1.2928	0.6723	0.0228	0.232	0.2584	0.288
Paris	5.1685	10.335	20.575	—	4.778	—	116.4	14.67	37.40
Zurich	2.4615	—	—	35.51	0.1798	—	77.625	52.45	—
BCU	1.269	0.574	2.476	5.922	1.2549	—	2.782	60.828	21.795

Dollar Values

\$	Per	U.S.	Per	U.S.	Per	U.S.	Per	U.S.
1.144	Australian \$	0.8745	0.6743	Israeli sheqel	12.45	0.4024	Singapore \$	2.1625
0.892	Austrian schilling	16.27	0.042	Japanese yen	321.49	1.2025	S. African Rand	0.5719
0.224	Baht Thai	4.270	2.5774	Korean dollar	4.260	0.0114	S. Korean won	62.15
0.63	Canadian \$	1.2548	0.6714	Malay, Singapore	2.2715	0.0102	Spanish peseta	17.48
0.129	Danish krone	7.2225	0.147	Marq. kroone	5.9225	0.1727	Swedish krona	0.1925
0.27	French franc	6.5595	0.152	PKR, new	7.9925	0.0334	Telugu \$	37.54
0.2149	West German DM	37.35	0.1312	Portuguese	45.487	0.0225	Thai baht	22.75
1.6448	Hong Kong \$	3.9925	0.2525	Small riyal	3.625	0.2725	U.A.E. dirham	3.6718
1.9225	Irish £	0.4027	0.8878	S.D.R.	1.134	—	—	—

© 1981 Arab Bank Ltd. (a) Amounts needed to buy one pound. (b) Units of 100. (c) Units of 1,000.

International Bond Prices - Week of Sept. 10

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Table of recent bond issues with columns for Amt, Security, % Net, Maturity, Yield, and Price.

Table of recent bond issues with columns for Amt, Security, % Net, Maturity, Yield, and Price.

Table of recent bond issues with columns for Amt, Security, % Net, Maturity, Yield, and Price.

STRAIGHT BONDS All Currencies Except DM

Table of straight bonds in various currencies, including Australia, Canada, and the UK.

Table of straight bonds in various currencies, including Australia, Canada, and the UK.

Table of straight bonds in various currencies, including Australia, Canada, and the UK.

DM STRAIGHT BONDS

Table of DM straight bonds with columns for Amt, Security, % Net, Maturity, Yield, and Price.

Table of DM straight bonds with columns for Amt, Security, % Net, Maturity, Yield, and Price.

Table of DM straight bonds with columns for Amt, Security, % Net, Maturity, Yield, and Price.

HIGHEST YIELDS to Average Life Below 5 Years

Table listing highest yields for bonds with average life below 5 years.

HIGHEST YIELDS to Average Life Above 5 Years

Table listing highest yields for bonds with average life above 5 years.

HIGHEST CURRENT YIELDS

Table listing highest current yields for various bond categories.

(Continued on Page 12)

WestLB advertisement for Eurobonds, DM Bonds, and Schuldscheine, including contact information for Dusseldorf, London, and Luxembourg.

## Records Set On Coupons For 2 Bonds

(Continued from Page 9)

planned for \$100 million bearing a coupon of 17 1/2 percent and carrying warrants to buy a like amount. The warrants disappeared in the final version. The paper is callable in the sixth year at a premium of 10 1/4.

The previous record high coupon was set on Newfoundland's eight-year, \$60-million issue bearing 17 1/4 percent and sold at par.

Niagara Mohawk's \$50 million of eight-year paper bearing a coupon of 17 percent was issued at a discount of 98 1/2, despite the guarantee of triple-A-rated Credit Lyonnais, to yield 17.36 percent. The paper ended the week quoted at 96 1/2.

In the convertible market, L. M. Ericson of Sweden is scheduled to launch \$45 million of 15-year bonds bearing a coupon of 9 1/2 percent and convertible into common stock at a premium of 8-10-10 percent.

Japanese borrowers, despite the continuing signs of overload on the market and rejection by investors and underwriters, continue to issue new paper. The latest is Fujisawa Pharmaceuticals. Its 15-year bonds are expected to carry a coupon of 5 1/2-6 percent and a conversion premium of around 5 percent. Lead manager Yamaichi says the company is the most technologically advanced of the Japanese companies in its field. The share price currently is 1,050 yen. The low for the year was 905 yen and the high, a month ago, was 1,250.

### Selling in Tokyo

Meanwhile, the Tokyo Stock Exchange reports continued net foreign sales of stocks in the first week of September widened sharply to 44.56 billion yen from 34.57 billion in the final week of August. The second week of the year set a record 47.20 billion yen of net sales in the fourth week of July.

Nippon Electric's convertible sold in the British domestic market was cut to £30 million from the intended £40 million. The coupon was kept at the indicated 5 1/2 percent and a conversion premium of 7.05 percent was fixed.

The \$50-million, 15-year convertible for Sumitomo Metal Industries was sold at par bearing a coupon of 5 1/4 percent as indicated. The conversion premium was set at a low 3.04 percent and the exchange rate was set at 234.80 yen per dollar. The bonds ended the week quoted at 96 1/2. Overall, prices in the secondary market for Japanese convertibles were off from 5 to 20 points from issue price. One of the worst performers was Minolta Camera, which closed the week at 82.

The \$30-million issue for Tsumura Juntendo was priced at par bearing a coupon of 5 1/4 percent. A conversion premium of 5.56 percent was set along with a fixed exchange rate of 232.55 yen to the dollar.

The Deutsche mark sector is showing some signs of revival with two issues — bearing record high coupons — announced last week. National Westminster Bank launched a 10-year issue of 100 million DM bearing a coupon of 11 percent and priced at par.

Subsequently, Oesterreichische Kontrollbank of Austria announced a five-year private placement of 150 million DM sold at par bearing a coupon of 11 percent.

Quebec Hydro's 40 million ECU bonds were sold at 99 bearing a coupon of 14 1/4 percent to yield 14 1/4 percent at the seven-year maturity.

### Eurobond Yields\*

Week Ended Sept. 9  
(U.S. dollars)

International institutions	15.35%
Industrials, long term	15.42%
Industrials, medium term	16.64%
Canadian dollars, medium term	17.08%
French fr. medium term	18.39%
Unit of acc. long term	11.87%

\* Calculated by Luxembourg Stock Exchange

### Market Turnover

Week Ended Sept. 11  
(Millions of U.S. Dollars)

Total	4,035.6	3,416.4	619.2
Codel	4,953.9	4,675.5	278.4

## Voice Mail: 'As Important As Phone,' Users Predict

By Thomas C. Hayes  
New York Times Service

NEW YORK — Last month David S. Swaffer, an assistant vice president for global systems in the London office of the American Express banking division, was introduced to the company's new voice mail system. He is already sleeping more soundly.

Before being linked to the telephone message apparatus, he had just one hour of his working day in common with the office hours of the company's computer specialists in Phoenix, Ariz., and just three hours in common with headquarters in New York.

"This system has broken the telephone time barrier for me," Mr. Swaffer said Friday by telephone from London. "How nice it is not to talk to my boss anymore, especially during the middle of the night."

The advent of voice mail, a computerized method of storing telephone messages and playing them at the receiver's convenience, has not entirely eliminated live telephone conversations. But managers at the dozen or so companies that have adopted it in the last year say they are enraptured by the system.

### Productivity Rise

They say it has speeded communications, reduced paperwork, enabled them to work more efficiently away from their offices and markedly improved their productivity.

Some cautioned that the system was occasionally misused: Gerald B. Stevenson, manager of telecommunications at Shell Canada, said some people had used the system to "send daggers" to subordinates, rather than settle disagreements face to face.

But he added that voice mail "is going to become as important as the telephone itself."

Philip N. Hayes, manager of telecommunication systems at Minnesota Mining and Manufacturing, added, "You will see it surviving, not briefly as a fad but as a very reliable office tool."

### 20,000 Users

The company was the proving ground last year for the voice mail technology developed by Electronic Communications Systems of Dallas. Robert David, president of ECS, estimates that more than 20,000 persons are using some form of voice mail today.

The ECS system costs about \$500,000, including installation. Its capacity of 3,000 users, with maximum storage of 1 billion bits of information, makes it one of the larger systems available. Tele-Voice of Santa Clara, Calif., and Wang Laboratories Inc. have introduced less expensive models that are less versatile. The Yankee Group, a market research firm, expects annual sales for voice mail systems to reach \$500 million by 1985.

Communications specialists say the mail systems can be mastered in little more than half an hour.

The system can be a note pad for its user, a method of sending dictation to a secretarial pool, and a means of sending a message repeatedly and checking at intervals to determine what messages have not been received.

The system converts the voice into digital storage in a receiver's coded "mailbox." When a person being called taps this voice mail file, the computer converts it back into voice and delivers it.

Users can retrieve their messages by calling their four-digit identification number from any Touch-Tone telephone. Many users are equipped with Touch-Tone generators that enable them to tap into the system wherever there is a telephone, even if it is a dial device.

### IMF Predicts High Interest To Continue for Few Years

By Hobart Rowen  
Washington Post Service

WASHINGTON — Record high "real interest rates" may continue for a number of years, worsening an already "troublesome" world economic situation especially for the poor nations piling up debt, the International Monetary Fund said in its annual report published over the weekend.

"Real interest rates" represent interest rates in actual money terms, minus an allowance for inflation. For most of the 1970s, the real interest rate was abnormally low, and sometimes actually negative, because inflation levels were so high.

That allowed the poor countries to manage their debt with considerable ease, the IMF pointed out. Thus, for example, a group of less developed countries with moderate per capita incomes were paying interest rates averaging about 5.5 percent in the 1974-1979 period, while their export prices were increasing at about 15 percent a year.

But as the IMF report explains, as inflation rates began to recede last year, interest rates have skyrocketed. Thus, interest rates, rather than being negative, are positive by a substantial measure in most countries in the world. In turn, that means that the less developed countries now face a big increase in their "real debt service burden," unless interest rates in general come down.

The IMF report held out little hope for such a possibility: "In view of the imperative need for the industrial countries to control inflation, there seems to be a strong prospect that real interest rates will remain well above the abnormally low or negative levels of the 1970s."

"The likelihood that external borrowing will remain more costly in real terms than it has been for many years underscores the need

for prudent adjustment measures in many of the borrowing countries."

The report remained relatively gloomy about the prospects for economic growth in the industrial nations of North America and Western Europe, which still reflect the consequences of the massive increase in oil prices during 1970 and 1980.

Many of the policy issues outlined in the IMF's annual report will be discussed at the joint annual meeting of the IMF and World Bank which will take place in Washington later this month.

On one specific issue that is certain to come up — whether or not to create greater monetary reserves for the IMF member nations — the annual report said only that the question is "still under discussion."

One still unresolved question to be decided at the annual meeting concerns the possibility of a new allocation of special drawing rights, the monetary unit supplied by the IMF to its members. Each SDR is worth approximately \$1.23, and so far 21.4 billion have been issued.

The annual report guardedly indicated that the IMF staff favors a further creation of SDRs at the beginning of next year, a conclusion not yet reached by many countries, including the United States.

The report said that the world would likely need more monetary reserves, and if in part this were to be satisfied by more SDRs, it would relieve some of the burden on international credit markets, and also reduce "existing pressures in foreign exchange markets."

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## As Profits Grow, Sears Strides Into Finance

By Winston Williams  
New York Times Service

CHICAGO — Could Sears, Roebuck & Co., that giant of U.S. retail chains, finally be rising from a long deep sleep? For five years, Sears drifted off to livelier competitors, and profits sagged under the weight of an overloaded management staff.

In recent months, however, traffic has been picking up in the 800 stores and the mail-order rooms of the country's biggest retailer. Some of the old serenity has returned to the executive corridors of the Sears Tower, following a rash of company-sponsored early retirements that wiped out a whole layer of middle management and some senior officers as well. Profits are growing once again. And confident now that it has finally mended its traditional business, Sears, the world's largest retailer, is again moving into ventures that, management hopes, will get the company growing again.

"The elements of a turnaround seem to be in place," said Joseph Ellis, a Goldman Sachs analyst. Sears' reprieve from bad times comes at a time when other large retail chains are under increasing stress.

Success for Sears, as for any business so closely tied to the consumer, will depend largely on the economy, interest rates and further improvement in merchandising.

### Financial Services

But the new ventures will also play a major role. This summer, Sears opened five business-machine stores, which will sell the new IBM personal computer along with an assortment of typewriters, copiers and calculators.

Earlier this month Sears announced its intention to start a money market fund. At the same time the \$25-billion retailer, whose revenue also equals that of the private railroad industry in the United States, said that it planned a big push into financial services.

"Our goal is to become the largest consumer-oriented financial services entity," said the white-haired and fatherly Edward L. Telling, 62, who capped 32 years at Sears with his election as chairman in 1978.

Despite this new confidence, some retail analysts doubt that the chain's turnaround is real. They note that Sears had weak sales in August and fell short of goals in its sales plan. And there is still unhappiness in the executive ranks, where veteran employees complain that their horizons have been narrowed because of consolidations and eliminations.

Restructuring

Mr. Telling was the architect of last year's corporate restructuring plan, which separated the company into three operating parts — the retail chain, Allstate Insurance, and Sears, a real estate company. The people who hold Sears credit cards, he says, are the focal point of the company's growth strategy.

"We can't forget those 40-million accounts out there," he repeated at several intervals during an interview. "Those same customers need financial services that we should be in a position to offer."

Sears' planners expect the tax cut to generate an explosion in demand among consumers for financial services.

Mr. Telling has spent his tenure at the helm preparing Sears for its new roles. After the corporate restructuring, he shook up the management, naming as its chairman Edward A. Brennan, a 47-year-old veteran of the chain circuit.

He then offered early retirement to 2,400 executives above the age of 55. Nearly 1,500 accepted the offer of half pay for three years along with a full pension. It cost Sears \$66.7 million before taxes (the original estimate was \$45 million), but Mr. Telling says it rejuvenated the company and paved the way for recovery.

### 4 Bad Years

The corporation experienced four consecutive years of tumbling operating profits, dragged down by miserable performances in the retail unit, where sales had been slumping or stagnating for several years. In the first quarter of last year, reeling from the blow of credit controls, retailing reported its first loss since the depression.

This year, however, things have changed markedly. In the first six months, net income is up 7 percent to \$262.1 million, on revenues of \$12.8 billion. The merchandise group reported profits of \$103.8 million on sales of \$9.4 billion, almost nine times the \$12.2 million it reported a year earlier on sales of \$8.34 billion.

"I wouldn't have believed that a change of that magnitude could take place," said Mr. Telling. He gave the credit to the unit's new management team.

"The keystone to our performance has been a recommitment to merchandising," Mr. Brennan, the team's captain, said. "You can feel it at our meetings. At meetings you usually have one of two things, substance or enthusiasm. We have both."

Before Mr. Brennan introduced

detailed planning last year, individual stores did not have financial targets. He also increased the advertising budget substantially, shifting a much larger percentage to television. The ad campaign emphasizes the theme, "You can count on Sears."

TV ads have been used also to promote selected items on a national scale. Two of the more successful sellers have been carrying, at \$7.99 a yard, and men's suits, two for \$99. The company saw to it that all of its stores had the items in stock.

Sears has also started carrying more name brands, especially jeans, a departure from the past practice of pushing house brands exclusively.

But a recent report by Argus Research said profits look good now only because they were so poor last year. "Merchandise earnings are no higher than they were in the mid-to-late 1970s," the report concluded. And the continuation of high interest rates will probably keep the credit operation, which finances customer receivables, in the red for the rest of the year.

But Mr. Brennan predicted that the tax cuts that will start showing up in the paychecks of consumers next month will put the Sears stores back on their growth course.

If Mr. Brennan is betting that consumers will spend their new wealth, his boss in the adjoining suite, Mr. Telling, is hedging the bets for the corporation. The Sears move into the money market fund business, analysis say, implies a belief that interest rates are going to stay high.

Sears, which owns a \$2.3-billion California savings and loan association, along with the \$7-billion Allstate, has a good vantage point for predicting interest rates.

Sears is also constantly in the short-term market to fund its \$6.5-billion consumer credit operation. The corporation has also been sensitized to interest trends through Seacro, its real estate subsidiary that develops shopping centers and offers mortgage banking services and insurance.

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### NATIONAL BANK OF CANADA APPOINTMENT



Robert René de Cotret  
The National Bank of Canada announces the appointment of Robert René de Cotret as Senior Vice-President and General Manager-International. Mr. René de Cotret has held the position of Senior Vice-President and General Manager-Development since he joined the Bank in June 1980.

Robert René de Cotret was previously Senior Staff Economist, President's Council of Economic Advisers, Washington, D.C., and later President of The Conference Board of Canada. Member of the Senate of Canada, he was appointed Federal Minister of Industry, Trade and Commerce and Minister of State for Economic Development.

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Sept	27.35-35.50	27.35-35.50	27.35-35.50	27.35-35.50
Oct	27.35-35.50	27.35-35.50	27.35-35.50	27.35-35.50
Nov	27.35-35.50	27.35-35.50	27.35-35.50	27.35-35.50
Dec	27.35-35.50	27.35-35.50	27.35-35.50	27.35-35.50

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Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)  
Mitsubishi Bank (Europe) S.A.  
Morgan Guaranty Ltd.  
New Japan Securities Europe Limited  
Sanyo Securities Co., Ltd.  
Smith Barney, Harris Upham & Co. Incorporated  
Tokai Bank (Nederland) N.V.  
Wako International (Europe) Ltd.

Algemene Bank Nederland N.V.  
Banque de l'Indochine et de Suez  
Baring Brothers & Co., Limited  
Daiwa Europe Limited  
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft  
Kleinwort, Benson Limited  
Samuel Montagu & Co. Limited  
National Bank of Abu Dhabi  
Nomura International Limited  
I. Henry Schroder Wagg & Co. Limited

Amro International Limited  
Banque Nationale de Paris  
Caisse des Dépôts et Consignations  
Robert Fleming & Co. Limited  
Kreditbank S.A. Luxembourg  
Merrill Lynch International & Co.  
Morgan Grenfell & Co. Limited  
The National Commercial Bank (Saudi Arabia)  
Salomon Brothers International  
Singapore-Japan Merchant Bank Limited  
Sumitomo Finance International  
Union Bank of Switzerland (Securities) Limited  
S.G. Warburg & Co. Ltd.

International Bond Prices - Week of Sept. 10

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

Table of international bond prices with columns for Amt, Security, Middle Price, Conv. Pct, and Yld. Includes sub-sections for (Continued from Page 10) and EUROPE.

CONVERTIBLE BONDS

Table of convertible bond prices with columns for Amt, Security, Middle Price, Conv. Pct, and Yld. Includes sub-sections for EUROPE and MISCELLANEOUS.

NEW YORK (AP) Weekly Over-the-Counter... Prices do not include... Securities are not subject to... Sales are made by NASD.

Over-the-Counter

Large table of over-the-counter securities with columns for Sales, High, Low, Last, and Net. Includes sub-sections for NASD and various security codes.

HIGHEST CURRENT YIELDS

Table listing high current yields on convertibles with a conversion premium of less than 10%.

Explanation of Symbols

Legend for symbols used in the bond tables, including C for Conversion, S for Special Drawing Rights, etc.

Chicago Exchange Options

Table of Chicago Exchange Options for the week ending Sept. 11, 1981, with columns for Option & Price, Call, and Put.

Over-the-Counter

Table of stock prices and market data, including columns for 'Sells in 100s', 'High', 'Low', 'Last', and 'Chg'.

Table of stock prices and market data, including columns for 'Sells in 100s', 'High', 'Low', 'Last', and 'Chg'.

Treasury Bills table with columns for 'Sells in 100s', 'High', 'Low', 'Last', and 'Chg'.

Consolidated Trading of AMEX Listings table with columns for 'Sells in 100s', 'High', 'Low', 'Last', and 'Chg'.

Prost Wins Italian Grand Prix, Jones Second

MONZA, Italy — Frenchman Alain Prost registered his second consecutive victory and led from start to finish in his turbo-charged Renault...

Results of Saturday's College Football Games

Table listing college football game results, including team names, scores, and locations.

CFL Standings

Table showing CFL standings for Eastern and Western Divisions, including team names and win/loss records.

Transactions

Baseball transactions including player movements, trades, and signings for various teams.

Friday's Major League Line Scores

Table of Major League Baseball scores for Friday, September 11, 1981, listing teams and final scores.

Saturday's Major League Line Scores

Table of Major League Baseball scores for Saturday, September 12, 1981, listing teams and final scores.

Major League Standings

Table showing Major League Baseball standings for the American and National Leagues.

Lightweight Title Captured by Noel

ATLANTIC CITY, N.J. — Claude Noel of Trinidad captured the vacant World Boxing Association lightweight title Saturday with a unanimous 15-round decision over Rodolfo 'Gato' Gonzalez.

More Sports On Page 15

American Exchange Options

Table of American Exchange Options for the week ending Sept. 11, 1981, listing various options and their prices.

Mutual Funds

Table of Mutual Funds for the week ending Sept. 11, 1981, listing fund names and performance metrics.

Spanish Barred From Fish Zone

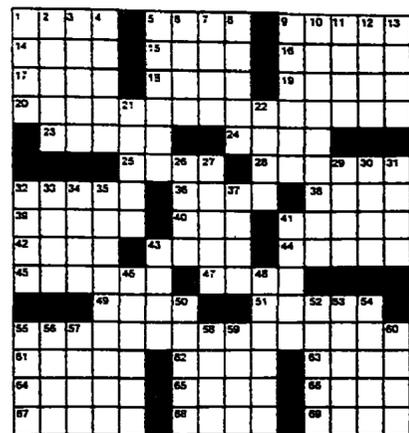
HALIFAX, Nova Scotia — The Spanish fishing fleet has been barred from the northwest Atlantic fishery, but Spanish officials said their boats would continue to fish in the area.

REGIE NATIONALE DES USINES REHAUT

First notice to holders of bonds 13% 1980-1985 of French Francs 5,000. The bondholders of the international loan 13% 1980-1985 issued by the REGIE NATIONALE DES USINES REHAUT are convened to an Ordinary General Meeting...

CLASSIFIED ADVERTISEMENTS (Continued from Back Page). Includes sections for ESCORTS & GUIDES, LONDON, NEW YORK CITY, AMSTERDAM, and other international services.

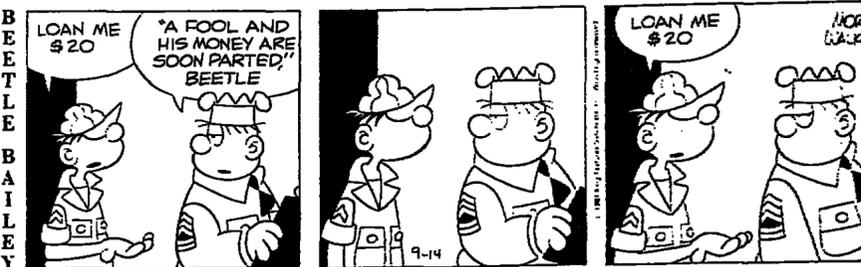
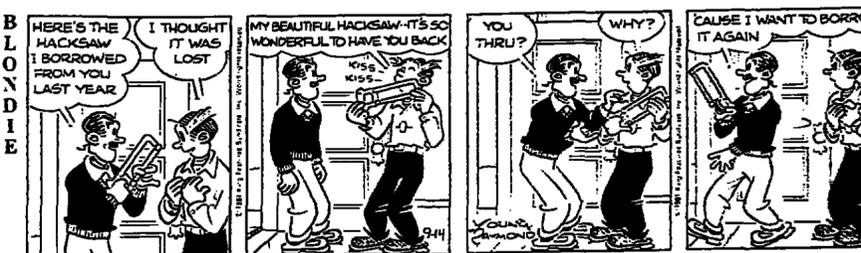
CROSSWORD — By Eugene T. Maleska



- ACROSS
1 Elopement with a spoon
5 One of Nero Wolfe's employees
9 "Dracula," e.g.
14 Division term
15 Steak order
16 Soothsayer
17 Jelly ingredient
18 Actress Raines
19 Kingdom
20 Sayers sleuth
21 Prepare to drive
24 Chinese: Prefix
25 Bread and whisky
28 The right to go out
32 Basis for a whodunit
36 Bigger hero
38 Handshake
39 Variety show
40 Johnny
41 Special police squad
42 Jewish month
43 Bloodstain
44 Ad just again
45 Miracle
47 Vega's constellation
49 Gabor and Tandy
51 Dots
55 Late master of suspense

WEATHER

Table with columns for city, high, low, and weather conditions. Includes cities like ALGARVE, ALBUQUERQUE, AMSTERDAM, ANKARA, ATHENS, AUCKLAND, BANGKOK, BEIRUT, BELGRADE, BERLIN, BOSTON, BRUSSELS, BUCHAREST, BUDAPEST, BUENOS AIRES, CAIRO, CASABLANCA, CHICAGO, COPENHAGEN, COSTA DEL SOL, DAMASCUS, DUBLIN, EDINBURGH, FLORENCE, FRANKFURT, GENEVA, HELSINKI, HONG KONG, HOUSTON, ISTANBUL, JERUSALEM, LAS PALMAS, LIMA, LISBON, LONDON, LOS ANGELES.



Advertisement for Aquascutum coats. Features an illustration of a man and a woman in classic British coats. Text: 'The Character of Aquascutum Classic British coats at their best. In fine shops throughout Europe. Aquascutum'.

JUMBLE. THAT SCRAMBLED WORD GAME. Unscramble these four Jumbles, one letter to each square, to form four ordinary words. TUMON, YUGEL, MASHAT, INQUAT. Includes a cartoon illustration of a man and a woman talking.

DENNIS THE MENACE. Includes a cartoon illustration of Dennis the Menace and a 'STAMP COLLECTION' section with a drawing of a stamp.

BOOKS. ELECTRONIC NIGHTMARE. The New Communications and Freedom by John Wicklein. 282 pp. \$14.95. Viking Press, 625 Madison Avenue, New York 10022. Reviewed by David Crook.

TO MOST of viewers in the United States, cable TV means movies or sports or, simply, more and more video entertainment. We might think a network is for the birds but that Home Box Office or the Cable News Network are just what a discerning viewer ordered. That's the dream of cable TV. To John Wicklein, an executive with the Washington-based Corporation for Public Broadcasting, the terror of cable TV is something else: something few of us associate with television at all. The terror comes, Wicklein claims, from the numbing and largely unchecked power cable and other new technologies may have over our personal lives. Already, "1984" looks like technological ancient history. "With many facets of this communication technology come potentially dangerous capabilities," Wicklein writes. "These can be used not to lead us to fuller, freer, more satisfying lives but to restrict our freedom as individuals."

CHESS. In the last few years, 4-Q-B2 has been revived by players who are unhappy getting doubled QBPs in other variations of the Nimzo-Indian Defense. However, 4-Q-B2 is too tame to produce anything much for White. Kogan's 7-P-Q83 was time-consuming in a variation that develops slowly at best, but the alternative 7-P-K3, NxP; 8-B-Q2; P-QN3; 9-B-K2; B-N2; 10-O-O, N/4-K5; 11-NxN, BxN; 12-B-Q3, BxK3; 13-QxB; BxR; 14-QxB, P-Q4; 15-PxP, QxP, as in the Petrosian-Tal game in the 1959 Candidates Tournament, gives White nothing. After 13... R-B1, Seirawan began to mount pressure on the QB file while Kogan's bishop-pair was a paper asset. Here, Kogan should have immobilized the black KN with 14-B-N2. Seirawan's 14... PxP forced Kogan to accept an isolated QBP with 15-PxP since 15-NxP (15 BxP; P-QN4; 16-B-K2, P-N5; 17-PxP, Pxp will win a piece), P-QN4; 16-NxP, P-N5; 17-PxP, BxR; 18-PxN, BxR; 19-KxB, Q-B2 favors Black. Kogan would not play 16-PxN? because of 16... B-B2; 17-R-B2, N-Q6, winning material. On 16-Q-Q4, N-K2, the exchange of queens by 16-QxQ, KxR-Q would have conceded Seirawan a clear initiative. The second appearance of Seirawan's knight at Q4 with 20... N-Q4! was damaging for White since 21-Q-Q4, P-K4; 22-Q-R4, Nxp gathers a pawn for Black. After 21-PxN, BxR, the consequence of 22-PxP would have been 22... R-Q61, 23-Q-B2, RxKp, threatening to win the exchange with 24... B-Q6 or a pawn with 24... R-Q6. Kogan tried to bluff himself out of his predicament with 22-N-K4, RxP; 23-NxP, P-N; 24-OxP, but Seirawan was not fazed. After 24... R-B4; 25-Q-R8ch, K-B7; 26-QxPch, K-K1, the attack had blown itself out leaving Black a piece ahead. After Seirawan's 30... K-Q21, it was the white king that was exposed to the threat of 31... R-KN1. Seirawan later said that the more efficient way to win would have been 32... RxP1 with the possible follow-up 33-Q-Q2, N-K5; 34-QxR, RxB; 35-KxR, R-N6ch; 36-PxR, Q-B7ch; 37-K-R1, NxBmate. On the other hand, his 32... RxB; F-KxR, R-N4ch forced Kogan to drop his queen with 34-Q-N3 since 34-K-B2 (34-K-B2, N-K5mate), Q-R4ch, 35-Q-R4 ends in 35... B-B4mate. The key to winning the ending was to coordinate queen and knight for a tack. Thus, Seirawan's 40... P-K2 threatened 41... Q-QB5; 42-RxR-Q7ch. After 41-P-K4, N-Q5, Kog could not play 42-P-B4 because 42... Q-N3; 43-P-B5, Q-N5; 44-R-K3, N-B7 wins the KP. After 45... N-K3, White's situation was untenable, for example, 46-R-B8, N-B5ch; 47-K-N3, Q-B8; 48-B-R7, Q-R8ch; 49-K-B2, Q-N7ch; 50-K-K3, Q-K7mate. So Kogan gave up.

ASK FOR IT EVERY DAY. EVERYWHERE YOU GO. International Herald Tribune We've got news for you.

Print answer here: (Answers tomorrow) Saturday's Jumbles: TEASE SYLPH ALIGHT BAFFLE Answer: What he said when he finally found a shoemaker—AT "LAST!"

"DON'T SNEEZE ON MY..." "STAMP COLLECTION."

RADIO NEWSCASTS. BBC WORLD SERVICE. Table with columns for region, time, and frequency. Includes sections for VOICE OF AMERICA and RADIO CANADA INTERNATIONAL.

# Austin, in 3-Set Thriller, Overcomes Navratilova for 2d U.S. Open Title

NEW YORK — Tracy Austin won her second U.S. Open championship Saturday, beating Martina Navratilova, 1-6, 7-6, 7-6, and salvaging a year that was interrupted by the first serious setback of her career.

In the first tiebreaker, Austin overcame a 7-1 margin, winning the match when Navratilova double-faulted. Austin collected \$60,000 as the champion. Navratilova reached the final by defeating Chris Evert Lloyd, the defending champion, 7-5, 4-6, 6-4, on Friday. Meanwhile, Austin, who won the title in 1979, easily reached the final by defeating Barbara Potter, 6-1, 6-3.

But the loss in the final crushed the hopes of Navratilova, who broke down and cried as she received a standing ovation at the awards ceremony immediately following the match. She was seeking her first U.S. Open crown. "I tried so hard," Navratilova said. "I think I tried too hard. When you want something to happen so bad, you freeze out there ... And I froze out there a couple points."

In the final, Austin had to rebound after the first set, during which Navratilova reeled off five straight games. It was the first set Austin had lost in the tournament. Until this year, everything had come easily to the youngest ever to play as a pro, the youngest to win a professional tournament, the youngest, at 16, to win the U.S. title, and the youngest athlete in any sport to win \$1 million.

Then she was sidelined for four months with a back injury. She returned eagerly in May, and won two tournaments on the way to the U.S. Open, where she had been seeded third.

"I think this means more to me than the first one," Austin said. "At 16, everything came too fast ... I think I was too young to realize how important it was."

Same Strategy Navratilova employed the same strategy that she did in beating Lloyd in the semifinal, going on the attack against a steady opponent and denying her the opportunity to settle into the match.

As Navratilova stormed to a 5-0 lead, Austin was completely undone by her opponent's superior strength, speed and variety. Navratilova moved her all over the court with a dizzying combination of overheads, drop shots, sharp volleys and steady ground strokes.

# Borg Defeats Connors, Meets McEnroe in Final

NEW YORK — Bjorn Borg overpowered Jimmy Connors, 6-2, 7-5, 6-4, Saturday night to move into Sunday's final of the U.S. Open tennis championships against defending champion John McEnroe.

The 22-year-old McEnroe — who ousted Vitas Gerulaitis, 7-6, 6-2, 4-6, 6-3, in the other semifinal — was only one victory away from a third consecutive Open crown. Not since Bill Tilden won from 1920 to 1925 has any man captured the national championship three years in a row.

McEnroe and Borg were seeded first and second in this year's tournament. McEnroe defeated Borg in last year's Open final; Borg has never won the title here.

"Tonight I felt the timing from the very start of the match," Borg said after his victory in the semifinals. "I just hope I can serve that well against John. Especially against John, you have to serve right, because he's going to come in on it."

Borg's service was awesome as he piled up 14 aces against Connors. In the sixth game of the second set, down love-40, Borg snapped off three straight aces to pull to deuce. He hit a fourth ace when Connors had another break point, then won the next two points on a backhand winner and a service winner.

Borg broke Connors, a three-time champion here and seeded No. 4, in the first and fifth games of the first set. After Connors broke Borg in the fourth game of the second set, the right-hander broke back in the seventh, then broke again in the 11th game before holding his own serve to win the set.

The only break in the final set came in the ninth game, when Connors could win only one point on his own serve.

The McEnroe-Gerulaitis match was a five-setter in which the two players wandered in and out of assorted crises, some self-induced, others brought on by wind gusts and controversial calls.

# Georgia Tech Stuns Alabama on Freshman's Run, 24-21

BIRMINGHAM, Ala. — Freshman tailback Robert Lavette scored two touchdowns, including the game-winner, to lead Georgia Tech to a 24-21 upset of Alabama in college football Saturday. It was the Yellow Jackets' first victory over the Crimson Tide in 19 years.

It was also the first opening-gate victory in 11 seasons for the Yellow Jackets, who were 1-9-1 last season.

With Alabama leading in the fourth quarter, 21-17, quarterback Mike Kelley led the Yellow Jackets on an 80-yard, nine-play game-winning march. The big blow was a 54-yard pass to Ken Whisenand, a tight end. Lavette scored the 2-yard line with 3:57 left.

With time running out, Alabama drove into Tech territory, but Peter Kim's 50-yard field goal attempt with no time on the clock fell short.

The earlier Tech scores came on a 22-yard touchdown pass from Kelley to Ronnie Cone and a 28-yard field goal by Ron Rice. Alabama scored on two field goals by Kim, a 47-yard scoring pass from Walker Lewis to Joey Jones, and a 4-yard touchdown run by Linnie Patrick.

Kelley, who completed 9 of 19 passes for 137 yards, attributed the victory to his team's attitude. "We worked harder this year than we have my four years at Tech," he said. "We're getting an established program, and the thanks goes to Coach [Bill] Curry." Georgia Tech's only shining moment last year was a tie of Notre Dame.

Alabama's Bryant blamed the defeat on three fumbles, an interception and 84 yards in penalties. "You're not going to keep from losing when you get penalties, give up fumbles and don't penetrate the defense," said Bryant, who remains seven victories from Amos Alonzo Stagg's career record of 314. Alabama is 1-1 this year.

Wisconsin 21, Michigan 14 In Madison, Wis., Jess Cole passed for two touchdowns as he led Wisconsin to a 21-14 upset of Michigan in a Big 10 game. John Williams, a tailback, caught a screen pass about 5 yards behind the line of scrimmage and raced down the left sideline to score the tie-breaking touchdown on a 71-yard play with 5:13 left in the third quarter.

# Soviet Union to Confront Canada in Hockey Final

MONTREAL — Canada scored three goals in the opening period Friday night and then coasted the rest of the way to defeat the United States, 4-1, in the semifinals of the Canada Cup hockey tournament.

With the Soviet Union eliminating Czechoslovakia, 4-1, in the other semifinal game, the Canadian and Soviet teams will meet for the championship Sunday night here.

Brian Engblom scored first for Canada, the goal coming 2 minutes 1 second into the game, and the United States was blanked until 26 seconds from the end of the second period.

Two Goals for Bossy Mike Bossy added two first period goals, and Marcel Dionne got the final goal for Canada in the third period.

Mike Eaves, on a power play, got the U.S. goal.

The United States managed only two shots on net in the opening period but controlled play most of the way afterward.

"We won just one period," Scotty Bowman, the Canadians' coach, said, "but luckily for us, that was enough. When the Russians show up, that will not be enough."

The Soviet Union, embarrassed 7-3 by Team Canada earlier in the round-robin tournament, demonstrated superb puck control and sharp passing in its victory over Czechoslovakia in Ottawa.

# Backup Quarterback Leads Saints Over Rams

NEW ORLEANS — Backup quarterback Bobby Scott threw a 3-yard touchdown pass to Wes Chandler with six minutes remaining, and Benny Ricardo kicked three field goals Sunday to give the Saints a 23-17 upset victory over the Los Angeles Rams, tying the Saints' win record for the entire 1980 season.

The Saints, who went 1-15 last season, received a big boost from rookie quarterback Rogers, who rushed for a club single-game record 162 yards and scored a 5-yard touchdown.

Starting quarterback Archie Manning directed the Saints on their first scoring drive, capped by a 45-yard field goal by Ricardo, on their first possession but a botched punting forced him to give the game away.

Scott, who completed only one pass in the first half and threw three interceptions in the game, hit Chandler at the goal-line marker in the winning touchdown strike with about six minutes left in the game.

Ricardo's second field goal came at the end of the first quarter from 5 yards out after a 5-yard pass was stalled by a 5-yard pen-

alty at the Los Angeles 12 that was followed by Scott being sacked for a 12-yard loss.

Rogers, who carried 29 times, scored his touchdown less than a minute after the field goal for a 13-0 lead.

The Rams' scores, all coming after New Orleans opened a 16-0 lead, came on two passes by quarterback Pat Haden and a 40-yard field goal by Frank Corral just before halftime.

# Rono Breaks His Record in 5,000 Meters

OSLO — Kenya's Henry Rono bettered his own men's 5,000-meter world record, while Paula Fudge of Britain set a women's world record for the same distance at an international track meet Saturday in Bologna, Italy.

Rono's excellent run was capped with a spectacular last lap of 56 seconds, giving him a new mark of 13:06.20 — more than two seconds off his previous record of 13:08.4, set in Berkeley, Calif., April 4, 1978.

Fudge was timed for the 5,000 in 15:14.51, breaking the former record of 15:28.43 set by Ingrid Kristiansen of Norway at Oslo's Bislett Stadium on July 11.

Meanwhile, Ludmilla Veselkova of the Soviet Union broke the world record for the women's mile, clocking 4 minutes, 20.89 seconds in an international track meet Saturday in Bologna, Italy. The previous record of 4:21.68 was held by Mary Decker of the United States.

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# Yankees Beat Red Sox, 4-1, As Gossage Saves a 2-Hitter

NEW YORK — Rookie Dave Righetti and Rich Gossage combined on a two-hitter and Graig Nettles had three hits, including a home run and a run-scoring single, as the New York Yankees defeated the Boston Red Sox on Friday night, 4-1.

Righetti (6-2) struck out 11 batters and held the Red Sox hitless for 3 1/2 innings before Carney Lansford singled, Boston's other hit was a ground single in the eighth inning by Jerry Remy. Gossage, relieving Righetti with none out in the eighth and runners on first and third, retired the next six batters to collect his 20th save.

# Reds' Sacrifice Fly Beats Dodgers

CINCINNATI — Dave Concepcion hit a bases-loaded sacrifice fly in the 11th inning to give the Cincinnati Reds a 6-3 victory over the Los Angeles Dodgers on Saturday night despite two home runs by the Dodgers' Rick Monday.

# Twins 3, White Sox 1

In Bloomington, Minn., Hosken Powell tripled and singled and Pete Redfern and Doug Corbett pitched a seven-hitter to lead Minnesota to its fifth straight triumph, a 3-1 victory over Chicago.

# Rangers 3, Angels 2

In Anaheim, Calif., Bill Sample and Mario Mendoza singled home runs in the second inning and reliever Dave Schmidt quelled a late California rally as Texas handed the Angels their eighth straight defeat, 3-2.

# Royals 4, A's 0

In Oakland, Calif., Dennis Leonard pitched 5 1/2 innings of no-hit ball as Kansas City shut out the A's, 4-0, on a three-hitter. The victory put the Royals back into first place in the A.L. West, one game ahead of Oakland in their race for the second-half championship. Oakland won the first ball.

# Phillies 6, Pirates 2

In Pittsburgh, Omar Moreno and Jason Thompson each drove in two runs as the Pirates beat Philadelphia, 6-2, ending a three-game Pittsburgh losing streak and the Phillies' three-game winning streak.

# Astros 5, Giants 2

In Houston, pitcher Joe Niekro hit a two-run single and Alan Ashby contributed three hits, including his third homer, as the Astros defeated San Francisco, 5-2.

# Cardinals 4, Mets 2

In St. Louis, Julio Gonzalez hit a two-run homer with one out in the bottom of the 13th, giving the Cardinals a 4-2 victory over New York. It was Gonzalez's first homer in the majors, and his first since 1978.

# Red Sox 2, Yankees 1

In the American League, in New York, Bob Ojeda came within three outs of a no-hitter as Boston beat the Yankees, 2-1. Ojeda (5-2), a rookie making the 14th start of his major league career, retired 22 batters in a row after walking Lou Finelli in the first. Leading off the ninth, however, pinch hitters Rick Cerone and Dave Winfield hit consecutive doubles. Mark Clear relieved Ojeda and saved the victory.

# Brewers 6, Orioles 3

In Milwaukee, Ted Simmons had three singles and drove in three runs and Cecil Cooper had two doubles and a single in the Brewers' 6-3 victory over Baltimore.

# Tigers 11, Indians 9

In Detroit, Lance Parrish's two-run homer in the 12th inning gave the Tigers an 11-9 triumph over Cleveland. John Wockenfuss

# A's 6, Royals 1

In Oakland, Calif., Mickey Klutts hit a three-run homer and

# Phillies 8, Pirates 0

In Pittsburgh, Steve Carlton gained his 12th victory of the season, combining with rookie Jerry Reed on a seven-hitter, as Philadelphia scored an 8-0 victory over the Pirates.

# More Sports On Page 13

In Chicago, Ken Reitz batted in two runs with a homer and a sacrifice fly and reliever Willie Hernandez extinguished a ninth-inning Montreal rally, leading the Cubs over the Expos, 6-5.

# Mariners 8, Blue Jays 1

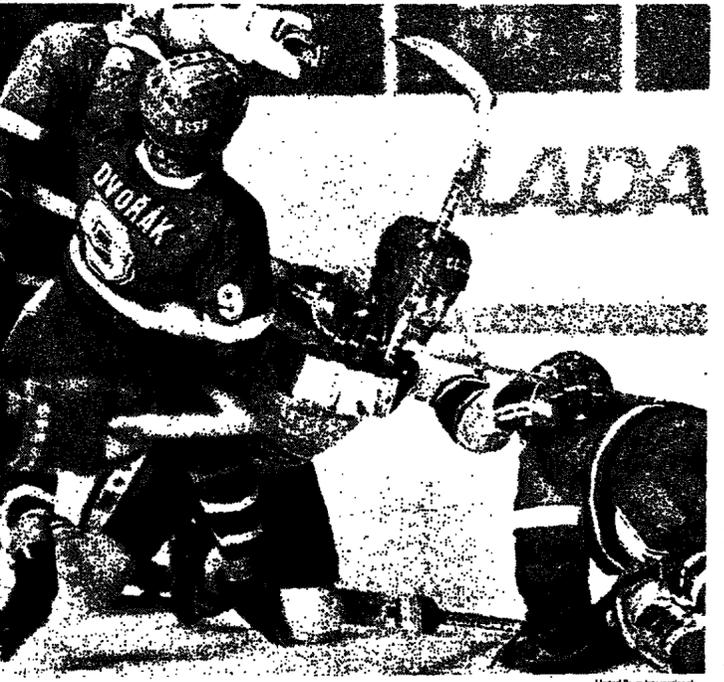
In Toronto, Jeff Burroughs belted a three-run home run and Jerry Narron added a one-run homer to lead Seattle past the Blue Jays, 8-1.



Tracy Austin has a smile of victory to go with the winner's trophy while Martina Navratilova has only the tears of defeat.



Martina Navratilova has only the tears of defeat.



Nikolai Drozdetski of the Soviet Union gets tangled up with Czechoslovak defenseman Miroslav Dvorak (No. 9) as the Czechoslovak goalie, Karel Lang, moves out to smother the puck.

Language

Newly Minted Words

By William Safire
NEW YORK — Part of the gruntwork of people in the language dodge is to keep track of neologisms (neologism is the "o") or newly minted words. Most are nonce words — clever coinages that die aborning — but all the coins are worth biting.

In the media world, infotainment is being bruited about; the combination of "information" and "entertainment" was possibly coined by Ron Eisenberg in the February 1980, Phone Call magazine. This follows closely on docudrama, a melding of "documentary" and "melodrama," and faction: all three words illustrate the trend toward the fuzzing of lines between fact and fiction, truth and fantasy. (Watch out for factoids.)

Mediamen also like narrowcasting, derived from "broadcasting," to mean riffling approaches to specific audiences, and brandstanding, which Art Stevens coined in the May, 1981, Harvard Business Review to mean "long-lived product promotion," a meld of "brand name" and "grandstanding."

In law, attorney Mark Lane was described in The New York Times as "the well-known conspiracy allegator." This word bids fair to replace "allegor" for "one who alleges," and can be used by lawyers with symbols on their tennis shirts. (See you later, allegor.)

In the death industry, cremains is the pasted-together version of "cremated remains" to stuff into your portmanteau. Liturgy would have to be altered to provide for "cremains to cremains, dust to dust," but whether the new word will catch on remains to be viewed. (Meanwhile, what's a body to do?)

In sports, tennis players are now being called tennisists, according to Horace Sutton in The New York Post. The "ist" construction is evidently an upgrading, as in "piano player" and "pianist," "publicity man" and "publicist," "rapper" and "rapist."

In making new anatomical references, keep your eye on your mouth. Foot-mouthing (pretending

to be promissive) has been with us for some time, and spawned bad-mouthing (to speak ill of someone). Reporter Curt Supplee used foot-mouthing in The Washington Post last month to mean "to promote loudly." Other possibilities include stretch-mouthing (to smile); small-mouthing (to osten-tate); rich-mouthing (to decorate); horse-mouthing (to write an insider's newsletter); and mouth-mouthing (to coin words using the "mouth" combining form).

My favorite recent coinages are laser-sharp, sent in by Philip Persinger, found in The Syracuse Herald-American, which brings the dull old "razor-sharp" up to a fine cutting edge. The other is from Angelo Ghionis of Wall Street N.Y., who writes: "My friend made up a new word. It's called ziggy. Put it in the dictionary. It means wiggly lines going like Z's." Generations hence, lexicographers will say, "Ziggy, adj. — angular lines, probably combined from zig-zag and wiggly."

The word gruntwork was used at the beginning of this item without explanation to show how a neologism can slip into the language with the greatest of ease. "Grunt" was a Vietnam-era noun for a soldier, taken from the sound one makes from heavy lifting. It was a quick step from that to "gruntwork," on the analogy of "paperwork," meaning the kind of job nobody likes to do. There's a neologism I bet will make it.

"I'll TRY and do that." That means: "I'll try to do that." So why not say, "I'll try to do that?"

Ah, but "try and" has become an idiom, say the roundheads of rhetoric. Never mind that "try and do" can be glossed, as David Jenness of Palo Alto suggests, as in: "I'll try, and by virtue of trying am likely to be able to do that."

I think the "try and" construction is sloppy English and stands connection. The trying is not usually a separate deed from the doing. If "try to" is what you mean, say what you mean.

Whenever anyone uses the pressure of usage to force you to accept the nonsensical and swallow the solecism, here's what to tell them: "Try and make me." (That is a time "try and" is acceptable, because it mocks tough-guy slang.)

New York Times Service

David Ogilvy

A Peripatetic Adman Makes Flowery Transition From Manhattan Rat Race to Chateau in France

By Susan Heller Anderson

BONNES, France — David Ogilvy, for 25 years the high-powered head of Ogilvy & Mather, one of the largest advertising agencies in the world, has made the transition from rat race to semiretirement by striking a judicious balance between country squire and peripatetic elder statesman.

When he is not pruning the old-fashioned shrub roses at the Chateau de Touffou, the multi-towered storybook castle he moved to eight years ago, he bombards Ogilvy & Mather, where he remains responsible for "creative standards," with a stream of memorandums and visits.

But quitting the frenzied glamour of Madison Avenue for the sleepy region of Poitou, 150 miles southwest of Paris, was easy, he said. "I was delighted to leave. What a pressure cooker. I got sick of cement. I longed to spend a few years surrounded by green and open space."

Ogilvy, 70, founded Ogilvy & Mather in 1950 with no clients and \$6,000. Today the firm has 100 offices in 35 countries, 1,600 clients and billings of \$1.7 billion.

Yet changing his life was not new. The son of an upper-class British family of Scottish descent, he set out for France after failing at Oxford, and took a job in the exalted Paris kitchens of the Hotel Majestic. "There I found the discipline I needed," he wrote in his autobiography, "Blood, Brains and Beer."

Recalling an occasion when he was nearly dismissed for telling a waiter a certain dish was sold out for the day, Ogilvy notes in "Confessions of an Advertising Man" how he applied the head chef's standards to his advertising agency. "Today I see red when anybody tells a client that we cannot produce an advertisement or a television commercial on the day we have promised it. In the best establishments, promises are always kept."

From Stoves to Secret Service

From the Majestic's kitchens he switched to selling cooking stoves in Britain, then emigrated to the United States with letters of introduction to such luminaries as Alexander Woolcott. He joined George Gallup's polling organization, then entered the British Secret Service during World War II, when he was assigned to the British Embassy in Washington. After the war he tried farming in an Amish community in Lancaster County, Pa., giving that up for advertising. "I remembered how my grandfather had failed as a farmer and become a successful businessman," he explained.

In his book-lined 12th-century study, with 10-foot-thick walls and a Telex clattering in the corner, he summed up his formula for success: "Get a reputation for being creative, hire people who are better than you, and



David Ogilvy at his chateau.

then leave them to get on with it." And he did just that.

Preparation for the change in his life began nearly 20 years ago when he chose France to settle in. "When I lived in New York we'd tour France on bikes every summer and grew to love it," he recalled.

He purchased Touffou 14 years ago. The chateau is a spectacular sight, six immense buildings of warm, pinkish ochre stone perched on a cliff overlooking the sinuous Vienne River that flows into the Loire.

It is a curious mixture of architectural styles: a medieval 12th-century keep, 14th-century round towers with sculptured windows, a Renaissance wing dating from 1560 and, in the basement, dank cells for prisoners. Unlike most chateaus of this vintage, Touffou was never a ruin. It needed new foundations, a two-year job after Ogilvy bought it, and now it needs new roofs.

Passionate Gardener

"We've already done one roof — it took 10 months," Ogilvy said glumly. "The place was covered in scaffolding, like having your wife in curlers every day."

The interior has the air of a very comfortable country house, its rooms a pleasant

clutter of antiques, rustic local furniture and modern gadgets.

Touffou has literally blossomed since Ogilvy moved in. A passionate gardener, he has planted one and a half miles of hedges to form a series of "rooms," each enclosing its own secret delights. Fragrant plants scent the summer air — lavender, Florentine magnolia, sweet peas, honeysuckle, viburnum.

The household includes Ogilvy's wife, Herta, her three teen-age children, two gardeners, three maids, two energetic dogs and four horses. Ogilvy's son, David, 38, is in the real estate business in Greenwich, Conn.

Summers are a continuous stream of house guests and tourists. As a national historical monument the chateau must be open a certain amount of time to the public in order to receive government restoration funds; thus Touffou is open in July and August.

Guests are coddled with homemade croissants, homemade jam and honey from Touffou bees. They swim, play croquet and paddle canoes on the Vienne. Unlike the previous owner, Ogilvy does not hunt. "I'm not a game killer," he states. Indeed, his pet project is the World Wildlife Fund, for which he writes fund-raising advertisements and twists arms for free advertising.

Six years ago, Ogilvy stepped down as chairman of his agency but keeps an advisory eye on campaigns. "If I think offices are making mistakes I tell them so," he said. Is anyone listening? "Occasionally," he replied.

Amish Serenity

The view of the Vienne is rather different from the view of the Hudson. "I don't miss New York," he admitted. "I miss the Amish country and Amish life — its serenity, its happiness, its hard work and contentment."

In a recent trip to Ogilvy & Mather's offices he observed changes in American advertising. "There's a continual deterioration in the quality of print advertising. In most agencies 80 percent of the business is television. Print ads have deteriorated, so people don't pay any attention."

Having landed many foreign clients, he is intrigued by international advertising peculiarities. "There's a big difference between American and European ads," he asserted. "In America a commercial may be crass but it's been tested, whereas here there's very little testing. French advertising is much more sophisticated because it's not researched."

His view of himself has also mellowed. "I was awful to work for because I was under such pressure I had no time to be polite," he admitted. "I was a bit of a bully."

These days he keeps his hand in by bullying the local government to prevent commercial development of the region. And, last summer when the neighbors were engaged in a bitter lamb war against lower-priced imports, Ogilvy rushed to the aid of sheep farmers by writing an advertisement in the French newspaper Le Monde.

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